

寶寶樹集團

BABYTREE GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1761



GLOBAL
OFFERING



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley  UBS  海通國際 HAITONG  CMS  招商證券國際

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Joint Bookrunners and Joint Lead Managers

FOSUN HANI  尚乘老虎
复星恒利 AMTD TIGER

Lead Financial Advisor



Co Financial Advisor

FOSUN HANI
复星恒利

IMPORTANT

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



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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under : 250,323,000 Shares (subject to the
the Global Offering Over-allotment Option)
Number of Hong Kong Offer Shares : 25,032,500 Shares (subject to adjustment)
Number of International Offer Shares : 225,290,500 Shares (subject to adjustment and
the Over-allotment Option)
Maximum Offer Price (Subject to a Downward : HK\$8.80 per Share, plus brokerage of 1.0%,
Offer Price Adjustment) SFC transaction levy of 0.0027% and Stock
Exchange trading fee of 0.005% (payable in full
on application in Hong Kong Dollars and
subject to refund) (If the Offer Price is set at
10% below the bottom end of the indicative
Offer Price after making a Downward Offer
Price Adjustment, the Offer Price will be
HK\$6.12 per Hong Kong Offer Share.)
Nominal Value : US\$0.0001 per Share
Stock Code : 1761

Joint Sponsors

Morgan Stanley



CMS 招商證券國際

Lead Financial Advisor

Co Financial Advisor



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复星恒利

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley



CMS 招商證券國際

Joint Bookrunners and Joint Lead Managers

FOSUN HANI
复星恒利



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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, November 20, 2018 (Hong Kong time) and, in any event, not later than Friday, November 23, 2018 (Hong Kong time). The Offer Price will be not more than HK\$8.80 per Offer Share and is currently expected to be not less than HK\$6.80 per Offer Share. If, for any reason, the Offer Price is not agreed by Friday, November 23, 2018 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$8.80 for each Hong Kong Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$8.80.

The Joint Global Coordinators (on behalf of the Underwriters), and with our consent, may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range that is stated in this Prospectus (which is HK\$6.80 to HK\$8.80) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at ir.babytree.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting—Underwriting Agreement and Expenses—Hong Kong Public Offering—Grounds for Termination" in this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

November 15, 2018

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under

WHITE Form eIPO service through the designated

website www.eipo.com.hk⁽²⁾ 11:30 a.m. on Tuesday, November 20, 2018

Application lists open⁽³⁾ 11:45 a.m. on Tuesday, November 20, 2018

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

Application Forms 12:00 noon on Tuesday, November 20, 2018

Latest time for completing payment of **WHITE Form**

eIPO applications by effecting Internet banking

transfer(s) or PPS payment transfer(s) 12:00 noon on Tuesday, November 20, 2018

Latest time for giving **electronic application**

instructions to HKSCC⁽⁴⁾ 12:00 noon on Tuesday, November 20, 2018

Application lists close⁽³⁾ 12:00 noon on Tuesday, November 20, 2018

Expected Price Determination Date⁽⁵⁾ Tuesday, November 20, 2018

Where applicable, announcement of the Offer Price being
set below the bottom end of the indicative Offer Price

Adjustment. See the section headed “Structure of the
Global Offering — Determining the Offer Price” on the
website of the Company and the Stock Exchange at

ir.babytree.com and www.hkexnews.hk on or before Monday, November 26, 2018

(1) Announcement of the Offer Price, the level of
indications of interest in the International Offering,
the level of applications in the Hong Kong Public
Offering and the basis of allocation of the Hong Kong
Offer Shares under the Hong Kong Public Offering to
be published in the South China Morning Post (in
English) and the Hong Kong Economic Times (in
Chinese) on or before Monday, November 26, 2018

(2) Results of allocations in the Hong Kong Public
Offering (with successful applicants’ identification
document numbers, where appropriate) to be available
through a variety of channels as described in the
section headed “How to Apply for Hong Kong Offer
Shares—11. Publication of Results” in this Prospectus Monday, November 26, 2018

(3) A full announcement of the Hong Kong Public
Offering containing (1) and (2) above to be published
on the website of the Stock Exchange at
www.hkexnews.hk and our Company’s website at
ir.babytree.com⁽⁶⁾ from Monday, November 26, 2018

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering

will be available at www.iporesults.com.hk (alternatively:

English <https://www.eipo.com.hk/en/Allotment>;

Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)

with a “search by ID” function from Monday, November 26, 2018

Dispatch of Share certificates or deposit of the Share

certificates into CCASS in respect of wholly or partially

successful applications pursuant to the Hong Kong Public

Offering on or before⁽⁷⁾⁽⁹⁾ Monday, November 26, 2018

Dispatch of refund cheques and WHITE Form e-Refund

payment instructions in respect of wholly or partially

successful applications (if applicable) or wholly or

partially unsuccessful applications pursuant to the Hong

Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Monday, November 26, 2018

Dealings in the Shares on the Stock Exchange expected to

commence on Tuesday, November 27, 2018

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, November 20, 2018, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists” in this Prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this Prospectus.
- (5) The Price Determination Date is expected to be on or around Tuesday, November 20, 2018 and, in any event, not later than Friday, November 23, 2018. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and us by Friday, November 23, 2018, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this Prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on Tuesday, November 27, 2018, provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting—Underwriting Agreement and Expenses—Hong Kong Public Offering—Grounds for Termination” in this Prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

EXPECTED TIMETABLE⁽¹⁾

- (9) Applicants who have applied on **WHITE** Application Forms or **WHITE Form eIPO** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, November 26, 2018 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

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

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

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

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

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

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

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

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

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

OVERVIEW

We are the largest and most active maternity and child-, or M&C-, focused community platforms in China by MAU, according to the Frost & Sullivan Report, dedicated to connecting and serving young families. Across our platforms, we had on average 139.0 million total MAUs in 2017. Young families, defined as families between two years before the birth of a child and six years after (referred to as “ages -2 to 6” for simplicity in this Prospectus), in China represented an addressable market of RMB11.0 trillion in 2017, according to the Frost & Sullivan Report.

We launched *babytree.com* in 2007 to create an online destination for expecting parents and young parents in China to communicate with each other and find the best pregnancy and parenting advice. Today, we have built a vibrant community for young families on the two pillars of strong social features and high-quality content. We develop functionalities on our platforms with the communication needs of our young, child-bearing age users in mind, focusing on the social elements to cultivate an interactive and spontaneous user experience. Our users actively participate in various modes of community interactions and in doing so have created a tremendous amount of user-generated content, or UGC. UGC is highly valuable to us, because it helps bind our community and enrich our content. According to the Frost & Sullivan Report, we have the most comprehensive and high-quality parenting knowledge among online platforms in China. Apart from UGC, we keep a large and growing library of professional-generated content, or PGC. We also promote original content creation by select professional or quasi-professional users as supplement.

Over a journey of 11 years, we have built the most trusted brand among M&C online platforms in China, according to the Frost & Sullivan Report. Our brand is rooted in our reputation among users in our community. Our reputation spreads from old users to new ones by word of mouth, which helps us solidify our leading market position. This mode of referral and recommendation from one cohort of new mothers to the next in our community-based business model also translates into less need to incur significant marketing expenses solely to attract new users. We take pride in having independently developed and maintained a high-quality user base at relatively low cost. For example, we incurred RMB30.0 million in marketing expenses in the year ended December 31, 2017, mostly for general brand promotion and business development and only to a small extent solely for new user acquisition.

SUMMARY

On our platforms, we offer a comprehensive suite of products and services that serve the four essential needs of China's young families: learning, sharing, recording and shopping. Our two primary platforms are (i) *Babytree Parenting*, our flagship platform comprising the *Babytree Parenting* mobile app and *babytree.com* on PC and WAP, which is the main gateway of our user traffic; (ii) *WeTime*, our mobile-only second platform focused on child development, designed with the dual purposes of an image-rich social recording medium and an online depository of early education content and tools with a marketplace approach. We envision *WeTime* as a natural extension of our flagship *Babytree Parenting* platform, extending the life cycle of our users and further broadening our user base. Additionally, we also have *Meitun Mama*, an M&C product-focused e-commerce platform, which functionalities are deeply embedded on the *Babytree Parenting* platform.

We receive highly valuable core bio data from our registered users. User interactions within our ecosystem generate extensive behavioral data. Considered together, we have China's largest commercial database of M&C groups, according to the Frost & Sullivan Report. High-quality and extensive data about our users help us further understand their profiles, pinpoint their needs, personalize user experience more accurately and explore new product and service offerings.

We have developed effective and efficient models of monetization on our scalable platforms. Our data-driven advertising and e-commerce businesses were major sources of revenue and demonstrated robust growth during the Track Record Period. We have also successfully launched our "consumer to manufacturer," or C2M, and premium content businesses as additional sources of revenue. We have created a growing ecosystem in which we enable our business partners and our users to reach each other, for not only M&C products and services but other types of family consumption as well. In the six months ended June 30, 2018, our platforms connected 152 advertising clients and 91 C2M manufacturing partners. As of the June 30, 2018, we had 2,049 third-party e-commerce vendors and 641 contracted experts for our premium content programs.

We are led by a visionary and experienced management team. Our founder and chairman, Mr. WANG Huainan, is a highly regarded entrepreneur and one of the most recognized leaders in China's TMT sector, combining deep knowledge of the Chinese market and a broad international outlook and international resources. Our Director, Mr. SHAO Yibo, is also a prominent pioneer of the Chinese Internet. Members of our management team have extensive relevant experience and share the same vision and dedication.

SUMMARY

OUR BUSINESS SEGMENTS

During the Track Record Period, we generated revenue primarily through advertising and e-commerce. We also generated a small amount of revenue from content monetization. The following table sets forth our revenue by segment for the periods presented:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(RMB in thousands, except percentages)									
Advertising	167,339	83.7%	267,866	52.6%	372,385	51.0%	170,097	47.0%	298,145	73.2%
E-commerce	32,664	16.3%	240,179	47.1%	332,583	45.6%	183,783	50.8%	90,567	22.2%
- Direct sales	32,664	16.3%	149,382	29.3%	174,672	23.9%	102,973	28.5%	47,519	11.6%
- Marketplace.....	—	—	90,797	17.8%	157,911	21.7%	80,810	22.3%	43,048	10.6%
Content monetization	—	—	1,687	0.3%	24,656	3.4%	7,890	2.2%	18,811	4.6%
Total	200,003	100.0%	509,732	100.0%	729,624	100.0%	361,770	100%	407,523	100%

Advertising. We offer advertising opportunities throughout our multi-platform ecosystem. Initially, most of our advertising clients had a background in the M&C product-related industries. Over the years, we have further accumulated an increasing variety of advertising clients with a background in non-M&C family services, such as pharmaceuticals, cosmetics, body care, automobile and financial services. For our advertising clients with an M&C background, we believe we are their natural top choice due to our industry-leading, high-quality user base that is their general target demographic and our technical capability to further reach the most relevant user groups with precision. For clients from other industries, we believe they appreciate the value in our user data and share our vision that we can help address the needs of our users in different stages of their lives beyond M&C products.

E-Commerce. We conduct our e-commerce operations on the *Meitun Mama* platform, primarily via the e-commerce functionalities deeply embedded on our flagship *Babytree Parenting* platform. We conduct our e-commerce business under two models: direct sales and marketplace. Under the direct sales model, we acquire products from suppliers and sell them to customers as principal, and recognize the sales income as our revenue. Under the marketplace model, third-party vendors offer merchandise to customers on our e-commerce platform, and we as the owner and operator of the platform charge commissions on their sales as our revenue. In 2017, as a natural consequence of our expanding data collection and analytical capabilities, we started our C2M business as a unique segment of our e-commerce operations. Our revenue from e-commerce declined in the six months ended June 30, 2018 as compared with the same period in 2017 as we applied new priorities in our monetization efforts and scaled down both direct sales and marketplace operations. See “Financial Information—Period-to-Period Comparison of Results of Operations—The First Half of 2018 Compared to the First Half of 2017—Revenue.” We expect the impact of such operational scale-down on our e-commerce business to be temporary as Alibaba provides e-commerce operational services as part of our collaboration to reduce our back-end operational cost and enhance efficiency.

SUMMARY

Content Monetization. In 2016, we began offering premium content for which we charge a fee. We currently offer a number of premium content programs. We have different revenue-sharing arrangements with content providers for our various premium content programs. We act as principal under *Expert Lectures* and user audits in *Expert Q&A*. Under such programs, we record the full amount paid by users as our revenue and the amount shared with experts as our cost. We act as agent under *Ask the Doctor* and *Expert Q&A* (except user audits). Under such programs, we record the net amount we receive as our revenue and do not have significant direct cost of service.

Our e-commerce and content monetization segments have relatively short operating histories, which started from June 2015 and August 2016, respectively. These businesses incurred modest gross losses in their respective commencement years, before contributing substantial gross profits for us subsequently. In 2018, we conceived and gradually implemented new priorities in our monetization efforts. Our goal is to focus on our core advantage in data and data analytical capabilities, by further expanding our advertising business and achieving even greater economies of scale, continuing to grow the more profitable new monetization models such as C2M and content monetization, and streamlining our general e-commerce business to reduce back-end operational cost and enhance efficiency.

ALIBABA COLLABORATION

In May 2018, we received a strategic investment from Alibaba (through its indirect wholly-owned subsidiary, Taobao China) and agreed to commence deep collaboration with Alibaba in the e-commerce, advertising, C2M, content monetization and potentially other businesses. We believe Alibaba's industry-leading e-commerce business, user and service resources and execution capabilities could help us enhance our existing monetization models and potentially develop new ones, thereby further unleashing the commercial potential of our ecosystem.

NET LOSSES, NET LIABILITIES AND NEGATIVE OPERATING CASH FLOW

We incurred significant net losses, as we are still at an early stage of monetization, and our profitability was impacted by the financial instruments with preferred rights and equity-settled share-based payment expense. As of the beginning of the Track Record Period, we recorded accumulated losses of RMB19.0 million from earlier operations. We incurred a net loss of RMB286.4 million, RMB934.5 million, RMB911.1 million, RMB388.0 million and RMB2,175.0 million in 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively. During the same periods, the fair value change of financial liabilities at fair value through profit or loss was RMB112.5 million, RMB927.3 million, RMB1,049.9 million, RMB477.1 million and RMB2,297.3 million, respectively. If the impact of the fair value change of financial liabilities at fair value through profit or loss and equity-settled share-based payment expense were excluded, we would have incurred an adjusted net loss of RMB172.2 million for 2015 and an adjusted net profit of RMB44.4 million, RMB138.8 million, RMB89.2 million and RMB122.3 million for 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively. See "Financial Information—Consolidated Statements of Profit or Loss—Non-IFRS Measure." We expect to record a net loss for the year ending December 31, 2018 as a result of estimated fair value loss in relation to the financial instruments with preferred rights. For similar reasons, we had negative operating cash flow of RMB155.4 million, RMB20.7 million and RMB46.3 million for 2015, 2016 and the six months ended June 30, 2018, respectively. After the Listing, all the financial instruments with preferred rights will be treated as equity, and we

SUMMARY

do not expect to incur further losses from valuation changes in such instruments. In addition, we had net liabilities of RMB6,876.2 million as of June 30, 2018 primarily due to deemed distribution arising from reorganization and partly due to accumulated losses. We do not expect to continue to incur a net liability position after the Listing.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, capital from shareholders, cash from operating activities and the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price at up to 10% below HK\$6.80, being the low end of the indicative Offer Price range), we expect to meet the working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this Prospectus.

With the expansion and scale-up of our businesses, we achieved significant growth in revenue and adjusted profit during the Track Record Period.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors: (i) the largest and most active M&C-focused community platforms in China, dedicated to connecting and serving young families; (ii) strong social features shaping a warm and vibrant community; (iii) comprehensive and high-quality content; (iv) most trusted brand; (v) unique and valuable data insights; (vi) proven monetization driven by scalable and expandable business model together with blue-chip partners and (vii) visionary and experienced management team and strong shareholder support.

BUSINESS STRATEGIES

To achieve our mission, we intend to pursue the following strategies: (i) solidify industry leadership through product optimization and user life cycle extension; (ii) continue to leverage business model and deepen monetization efforts; (iii) continue to invest in R&D and strengthen data analytical and technological capabilities and (iv) expand into related businesses and the global markets.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include advertising customers (including advertisers and advertising agencies), users who make purchases on our e-commerce platform and users who purchase or subscribe for our premium content. We have a broad base of customers. Our largest customer for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 (in each case, an advertising customer) accounted for 12.3%, 6.6%, 8.0% and 7.1%, respectively, of our revenue. Our top five customers (advertising customers including advertising agencies and a baby formula distributor) accounted for 33.7%, 21.5%, 25.7% and 31.4% of our revenue for the same periods, respectively.

SUMMARY

Our suppliers primarily include suppliers of products sold through direct sales on our e-commerce platform. Our largest supplier accounted for 30.3%, 18.4%, 24.9% and 37.3% of our total purchases for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. Our top five suppliers accounted for 55.4%, 42.6%, 54.2% and 77.6% of our total purchases for the same periods, respectively.

COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, the M&C-themed online community sector in China is experiencing rapid growth; many new entrants often choose to replicate brands that already have market influence so as to rapidly expand their market and user base, which leads to homogeneous competition. We compete primarily with other M&C product and service providers. In terms of our e-commerce business only, we compete with non-specialty e-commerce operators and M&C product-focused e-commerce platforms. The M&C products are not exclusively available online and, as such, we also face competition from traditional offline retailers of such products. We believe our brand reputation enables us to compete effectively against our competitors.

RISK FACTORS

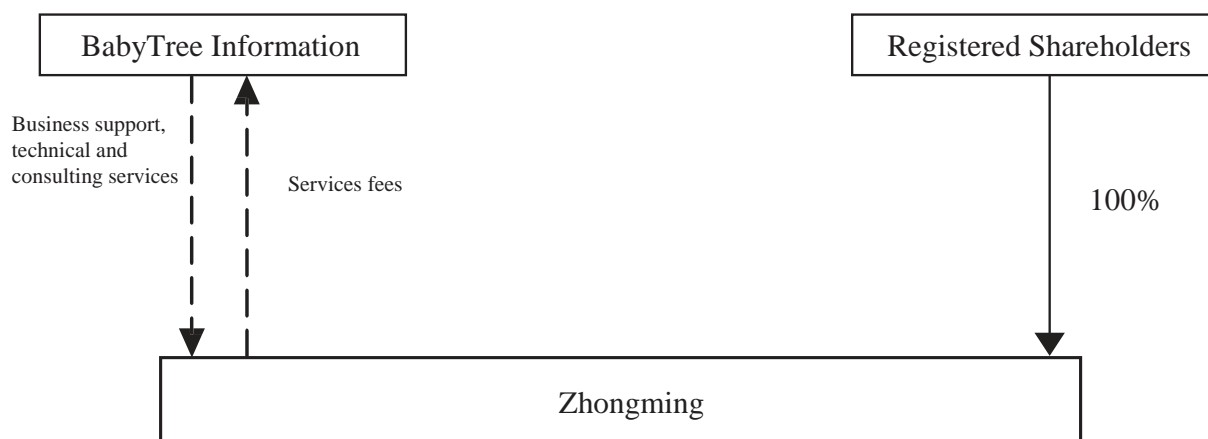
Our business and the Global Offering involve certain risks as set out in the section headed “Risk Factors” in this Prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

- (i) If we are not able to maintain and enhance our brand, or if events occur that damage our reputation and brand, our ability to expand our base of users and advertisers may be impaired, and our business and financial results may be harmed;
- (ii) Our business is highly competitive. If we are unable to compete effectively, our business, financial conditions and results of operations may be materially and adversely affected;
- (iii) If we fail to retain existing users or attract new users, or if our users decrease their level of engagement with us, our business, results of operations and financial condition may be adversely affected;
- (iv) We derive a substantial portion of our revenue from a limited number of key advertising customers during the Track Record Period, which may make our cash flow and earnings volatile. Our long-term plan to reduce such volatility may not be successful; and
- (v) Our new monetization models may not be successful.

SUMMARY

CONTRACTUAL ARRANGEMENTS

We are engaged in the provision of Internet content services in the PRC, which are considered value-added telecommunication services, a sector where foreign investment is subject to restrictions under the PRC laws and regulations. In order to comply with PRC laws and regulations and maintain effective control over our Internet content service operations, our Group entered into a series of Contractual Arrangements with Zhongming and the Registered Shareholders. Under the Contractual Arrangements, BabyTree Information has acquired effective control over the financial and operational management and results of Zhongming and is entitled to all the economic benefits derived from the operations of Zhongming.



Note: “———>” denotes direct legal and beneficial ownership in the equity interest and “----->” denotes contractual relationship.

MOFCOM published the Draft FIL in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China, under which our Contractual Arrangements may be deemed legitimate only if our Company is controlled by PRC Investors. If the Draft FIL is promulgated in the current draft form, our PRC Legal Advisors are of the view that we are likely to be viewed as being controlled by PRC investors upon Listing. However, there is no assurance that we can fully comply with such law. In the worst case scenario, we will not be able to operate our business through the Contractual Arrangements and will lose our rights to receive the economic benefits from our Consolidated Affiliated Entity. See the section headed “Risk Factors—Risks Relating to Contractual Arrangements” for further details of the risks we face relating to our Contractual Arrangements.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountants’ Report in Appendix I to this Prospectus. The summary consolidated financial information set forth below should be read together with, and is qualified in its entirety by reference to, our consolidated financial information disclosed elsewhere in this Prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

SUMMARY

Consolidated Statements of Profit or Loss

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
<i>(RMB in thousands, except percentages)</i>										
Revenue	200,003	100.0%	509,732	100.0%	729,624	100.0%	361,770	100.0%	407,523	100.0%
Cost of revenue.....	(90,791)	(45.4%)	(239,282)	(46.9%)	(268,526)	(36.8%)	(143,142)	(39.6%)	(94,578)	(23.2%)
Gross profit	109,212	54.6%	270,450	53.1%	461,098	63.2%	218,628	60.4%	312,945	76.8%
Other revenue ⁽¹⁾	2,517	1.3%	16,656	3.3%	54,331	7.4%	42,339	11.7%	8,292	2.0%
Other net income/(loss)	371	0.2%	5,470	1.1%	(10,742)	(1.5%)	(1,183)	(0.3%)	(5,455)	(1.3%)
Selling and marketing expenses	(193,353)	(96.7%)	(139,884)	(27.4%)	(145,745)	(20.0%)	(69,263)	(19.1%)	(84,015)	(20.6%)
General and administration expenses	(49,709)	(24.9%)	(122,422)	(24.0%)	(108,013)	(14.8%)	(39,439)	(10.9%)	(66,038)	(16.2%)
Research and development expenses	(56,952)	(28.5%)	(72,811)	(14.3%)	(78,481)	(10.8%)	(36,690)	(10.1%)	(53,018)	(13.0%)
(Loss)/profit from operations ..	(187,914)	(94.0%)	(42,541)	(8.3%)	172,448	23.6%	114,392	31.6%	112,711	27.7%
Net finance income	853	0.4%	4,081	0.8%	6,787	0.9%	6,295	1.7%	2,444	0.6%
Fair value change of financial liabilities at fair value through profit or loss ⁽²⁾	(112,516)	(56.3%)	(927,335)	(181.9%)	(1,049,907)	(143.9%)	(477,148)	(131.9%)	(2,297,296)	(563.7%)
Share of losses of associates	—	0.0%	(949)	(0.2%)	(2,426)	(0.3%)	(1,344)	(0.4%)	(762)	(0.2%)
Loss before income tax	(299,577)	(149.8%)	(966,744)	(189.7%)	(873,098)	(119.7%)	(357,805)	(98.9%)	(2,182,903)	(535.7%)
Income tax credit/(expense)	13,157	6.6%	32,205	6.3%	(38,040)	(5.2%)	(30,184)	(8.3%)	7,902	1.9%
Loss for the year/period	(286,420)	(143.2%)	(934,539)	(183.3%)	(911,138)	(124.9%)	(387,989)	(107.2%)	(2,175,001)	(533.7%)
Non-IFRS measure										
Adjusted (loss)/profit for the year/period⁽³⁾	(172,212)	(86.1%)	44,362	8.7%	138,769	19.0%	89,159	24.6%	122,295	30.0%

Notes:

- (1) Other revenue primarily consists of (i) investment income from available-for-sale financial assets, which refer to certain wealth management products we had purchased in China, (ii) investment income from structure deposits in other current assets and (iii) government grants. See “Financial Information—Selected Statements of Profit or Loss Items—Other Revenue.”
- (2) We issued various financial instruments, including convertible loans and ordinary shares with preferred rights, during our previous reorganization. We measured the related financial liabilities at fair value change and such fair-value measurements are reflected under this item. See “Financial Information—Selected Statements of Profit or Loss Items—Fair Value Change of Financial Liabilities at Fair Value through Profit or Loss.”
- (3) We define “adjusted (loss)/profit for the year/period” as loss for the year/period, adding back (i) fair value change of financial liabilities at fair value through profit or loss and (ii) equity-settled share-based payment expense. Adjusted (loss)/profit for the year/period is not a measure required by or presented in accordance with IFRS. The use of adjusted (loss)/profit for the year/period has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See “Financial

SUMMARY

Information—Non-IFRS Measure.” The following table reconciles our adjusted (loss)/profit for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is loss for the year/period:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
<i>(RMB in thousands)</i>					
Loss for the year/period	(286,420)	(934,539)	(911,138)	(387,989)	(2,175,001)
Add:					
Fair value change of financial liabilities at fair value through profit or loss	112,516	927,335	1,049,907	477,148	2,297,296
Equity-settled share-based payment expense	1,692	51,566	—	—	—
Adjusted (loss)/profit for the year/period .	<u>(172,212)</u>	<u>44,362</u>	<u>138,769</u>	<u>89,159</u>	<u>122,295</u>

The table below sets forth a breakdown of our cost of revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(RMB in thousands, except percentages)									
Cost of inventories	33,582	37.0%	142,045	59.4%	165,320	61.6%	97,637	68.2%	40,966	43.3%
Staff costs	21,270	23.4%	36,185	15.1%	41,627	15.5%	18,955	13.2%	24,812	26.2%
Direct cost of advertising.....	14,561	16.0%	29,904	12.5%	18,840	7.0%	6,514	4.6%	10,163	10.7%
IT infrastructure and maintenance costs....	7,045	7.8%	12,673	5.3%	17,612	6.6%	8,516	5.9%	9,312	9.8%
Operating lease	10,201	11.2%	12,094	5.1%	10,752	4.0%	5,133	3.6%	3,471	3.7%
Cost of content monetization	—	—	1,301	0.5%	8,406	3.1%	3,741	2.6%	1,686	1.8%
Depreciation and amortization	1,153	1.3%	1,759	0.7%	3,905	1.5%	1,691	1.2%	2,425	2.6%
Others.....	2,979	3.3%	3,321	1.4%	2,064	0.7%	955	0.7%	1,743	1.9%
Total	90,791	100.0%	239,282	100.0%	268,526	100.0%	143,142	100.0%	94,578	100.0%

SUMMARY

Selected Consolidated Statements of Financial Position Data

	As of December 31,			As of
	2015	2016	2017	June 30, 2018
<i>(RMB in thousands)</i>				
Total non-current assets	44,319	100,832	78,627	92,674
Total current assets	968,794	3,787,940	1,118,732	2,077,147
Total current liabilities.....	261,542	322,436	339,907	337,543
Net current assets	707,252	3,465,504	778,825	1,739,604
Total non-current liabilities.....	934,242	4,206,417	5,253,072	8,708,484
Net liabilities.....	182,671	640,081	4,395,620	6,876,206
Equity.....	(182,671)	(640,081)	(4,395,620)	(6,876,206)

Selected Consolidated Statements of Cash Flows Data

	As of / For the year ended December 31,			As of / For the six months ended June 30,	
	2015	2016	2017	2017	2018
<i>(RMB in thousands)</i>					
Net cash (used in)/generated from operating activities.....	(155,392)	(20,731)	169,677	56,365	(46,294)
Net cash (used in)/generated from investing activities	(642,985)	(2,698,689)	2,746,429	2,792,769	379,119
Net cash generated from/(used in) financing activities.....	902,753	2,737,701	(2,844,494)	(2,847,712)	846,336
Net increase in cash and cash equivalents	104,376	18,281	71,612	1,422	1,179,161
Cash and cash equivalents at the beginning of the year.....	10,514	114,890	133,171	133,171	204,783
Effect of exchange rate fluctuations on cash held	—	—	—	—	27,388
Cash and cash equivalents at the end of the year/period....	114,890	133,171	204,783	134,593	1,411,332

SUMMARY

Gross Profit and Gross Profit Margin

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

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(RMB in thousands, except percentages)									
Advertising.....	113,535	67.8%	176,566	65.9%	283,588	76.2%	131,268	77.2%	248,683	83.4%
E-commerce.....	(4,323)	*	94,206	39.2%	161,676	48.6%	83,554	45.5%	47,254	52.2%
Content monetization.....	—	—	(322)	*	15,834	64.2%	3,806	48.2%	17,008	90.4%
Total	109,212	54.6%	270,450	53.1%	461,098	63.2%	218,628	60.4%	312,945	76.8%

* Not meaningful

For a discussion of material fluctuations, see “Financial Information—Selected Statements of Profit or Loss Items—Gross Profit and Gross Profit Margin.”

Key Financial Ratios

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

	As of / For the year ended December 31,			As of / For the six months ended June 30,
	2015	2016	2017	2018
Total revenue growth ⁽¹⁾ (%)	N/A	154.9%	43.1%	12.6%
Gross margin (%).....	54.6%	53.1%	63.2%	76.8%
Net margin (%).....	(143.2%)	(183.3%)	(124.9%)	(533.7%)
Adjusted net margin (%) ⁽²⁾	(86.1%)	8.7%	19.0%	30.0%
Current ratio	3.7	11.7	3.3	6.2
Adjusted return on total assets (%)	N/A	1.8%	5.5%	7.3%
Gearing ratio ⁽³⁾	—	—	—	—

Notes:

- (1) As measured against the previous comparable period.
- (2) Adjusted net margin equals adjusted profit/(loss) for the year/period (see “—Consolidated Statements of Profit or Loss” above) divided by revenue and multiplied by 100%.
- (3) Gearing ratio refers to interest-bearing borrowings as of a date divided by total equity as of the same date. As we did not have any outstanding interest-bearing borrowings as of December 31, 2015, 2016 and 2017 and June 30, 2018, or September 30, 2018, the latest practicable date for our indebtedness statement, our gearing ratio was nil as of these dates.

SUMMARY

Please refer to “Financial Information—Key Financial Ratios” in this Prospectus for the other definitions and analysis of the key financial indicators in the table above.

KEY OPERATING DATA

The following table sets forth our key operating data for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
<i>(in millions, except user time spent, orders or percentages)</i>					
Average MAUs ⁽¹⁾	133.2	164.5	139.0	177.2	89.5
Mobile apps	6.4	13.8	16.8	17.1	16.7
PC and WAP	126.8	150.7	122.3	160.1	72.8
Average user time spent on mobile apps per day (minutes: seconds) ⁽²⁾					
<i>Babypree Parenting</i>	16:51	10:01	8:40	8:40	9:29
<i>WeTime</i>	12:24	5:49	7:36	5:32	12:10
Paying users ⁽³⁾					
E-commerce	1.4	2.7	2.7	1.8	1.4
Content monetization.....	—	0.7	2.8	1.7	1.3
Average orders per paying user ⁽⁴⁾					
E-commerce	3.7	4.8	5.4	4.2	4.5
Content monetization.....	—	2.5	3.5	2.9	2.7
GMV for e-commerce (RMB) ⁽⁵⁾	465.3	1,273.2	1,467.9	807.1	557.7
Marketplace	419.0	1,088.6	1,260.0	685.3	499.1
Direct sales.....	46.3	184.6	208.0	121.8	58.6
Percentage of GMV from repeat customers (%) ⁽⁶⁾					
E-commerce	71.5	68.2	68.0	67.6	69.8
Content monetization	—	18.7	50.6	41.2	55.6

Notes:

- (1) Our average MAUs on mobile apps increased generally during the Track Record Period, from 6.4 million for the year ended December 31, 2015 to 16.8 million for the year ended December 31, 2017 and 16.7 million for the six months ended June 30, 2018. We had 23.0 million MAUs for mobile apps in June 2018. Generally, mobile app user traffic was a major factor underlying our financial performance because mobile-end revenue represented a substantial majority of revenue from our advertising business and mobile-end transactions accounted for almost all of our e-commerce business, our primary models of monetization to date. We intend to continue to prioritize product development on our mobile apps to further boost mobile user traffic to our platforms.

SUMMARY

Even though PC and WAP are not at the forefront of our innovation, these interfaces remain important for us, as some users are more comfortable with them and we still derive significant user traffic from them. Our average MAUs on PC and WAP fluctuated during the Track Record Period. We believe one factor for a downward fluctuation in late 2017 and early 2018 was changes in algorithms adopted by popular search engines affecting the ranking of our web pages in search results. Our number of MAUs on PC and WAP fluctuated upwards towards the middle of 2018 which we believe was a testament of the ability of our user base to grow organically based on word-of-mouth referrals and recommendations. We had 137.6 million MAUs on PC and WAP in June 2018. In total, we had 160.6 million MAUs in June 2018.

Our average MAUs on both mobile apps and PC and WAP continued the overall trend of increase after June 30, 2018. See “—Recent Developments.” In addition to the natural resilience of our user base on PC and increasing trend on WAP, we believe that the various affirmative measures we undertook, especially on the mobile end, also contributed to our number of MAUs. For example, we started to actively operate our *WeChat* public accounts “Babytree – Wonderful Mommy Institute (寶寶樹 – 奇妙媽咪研究所)” as well as “Babytree Customer Service (寶寶樹微服務),” regularly posting relevant articles and blogs to attract *WeChat* traffic and redirecting the traffic to our WAP interface and mobile apps.

- (2) Arithmetic average of the monthly average user time spent per day for the months in the relevant period. For each month, the average user time spent per day is the arithmetic average of the daily user time spent per day for the days in the month. For each day, the average user time spent is the quotient of total user time spent over the number of users for that day. Thus the data presented herein may have been subject to multiple occasions of rounding. Time spent on mobile apps is tracked and calculated by Umeng.
- (3) Arithmetic sums of annual paying users for e-commerce and those for content monetization. We are unable to identify and adjust for any duplications in paying users between the two businesses. Our number of paying users increased generally from 2015 to 2017 as our e-commerce and content monetization businesses expanded. Our number of paying users declined in the six months ended June 30, 2018 as compared with the same period in 2017 in both businesses. In e-commerce, the decline was in line with the decline in GMV. See note (5) below. In content monetization, we attribute the decline primarily to our strategic shift in sales efforts to promote packaged expert lectures, which carried higher prices per order. As a result, we witnessed fewer paying users for cheaper content, such as “audits” of expert Q&A exchanges, but our revenue increased sharply.
- (4) Quotient of the total number of orders (gross of any cancellations and returns) in the relevant period over the total number of paying users in the same period, based on our internal data.
- (5) Our GMV declined in both marketplace and direct sales in the six months ended June 30, 2018 as compared with the same period in 2017 as we applied new priorities in our monetization efforts, including e-commerce. See “Financial Information—Period-to-Period Comparison of Results of Operations—The First Half of 2018 Compared to the First Half of 2017—Revenue.”
- (6) Arithmetic average of the monthly average percentage of GMV by repeat customers for the months in the relevant period. For each month, the average percentage of GMV by repeat customers is the quotient of the average daily GMV by repeat customers over the average daily GMV for the month. All data are derived from our internal records, subject to multiple occasions of rounding.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including pursuant to the exercise of the Over-allotment Option) on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the

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Listing Rules with reference to (i) our revenue for the year ended December 31, 2017, being RMB729.6 million (equivalent to approximately HK\$824.1 million), which is over HK\$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative Offer Price range, exceeds HK\$4 billion.

DIVIDEND

We are a holding company incorporated under the laws of the Cayman Islands. Our Board may recommend a distribution of dividend in the future, depending on, among other things, our profit for the year, the availability of dividends received from our subsidiaries, our capital and investment requirements and other factors our Board deems relevant. Under the applicable laws in the Cayman Islands, dividends may be paid only out of profits and share premium. As advised by our legal advisors as to the laws of the Cayman Islands, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability. In addition, a dividend can be paid provided that there is a profit on the current financial year under review, without the requirement to make good losses from a prior financial year. Dividend distribution to our Shareholders is recognized as a liability in the period in which the dividends are approved by our Shareholders or Directors, where appropriate. During the Track Record Period, we did not declare or pay any dividend. We do not have a fixed dividend payout ratio.

GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises: (i) the Hong Kong Public Offering of 25,032,500 Offer Shares (subject to reallocation) in Hong Kong as described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering” in this Prospectus; and (ii) the International Offering of an aggregate of initially 225,290,500 Shares (subject to reallocation and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

The Offer Shares will represent approximately 15% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

RECENT DEVELOPMENTS

For the three months ended September 30, 2018, we had an average 175.1 million MAUs, including 25.2 million on mobile apps and 149.9 million on PC and WAP. These user data represented continued increases since early 2018.

Based on preliminary internal data, both revenue and gross profit from advertising segment experienced increases in the three months ended September 30, 2018 over the same period in 2017. In our e-commerce segment, we continue to streamline the operations of this business in the three-month period, and, accordingly, our revenue and gross profit declined as compared with the

SUMMARY

same period in 2017. Our revenue and gross profit from the content monetization segment, which continued to account for a small percentage of our total revenue and gross profit, decreased during the three months ended September 30, 2018 over the same period in 2017 as we focused on developing new premium content programs and conducted less promotion during the three-month period in 2018. We expect that our net loss for the year ending December 31, 2018 will increase as compared to that for the year ended December 31, 2017, primarily due to an increase in fair value loss of financial liabilities at fair value through profit or loss. We expect to have an adjusted net profit for the year ending December 31, 2018.

In October 2018, we officially announced the collaboration of our e-commerce platform with Alibaba's Tmall platform.

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in the financial conditions or prospects of our Group since June 30, 2018, the end of the period reported on in the Accountants' Report set out in Appendix I to this Prospectus, and there has been no event since June 30, 2018 up to the date of this Prospectus which could materially affect the information shown in the Accountants' Report.

OUR LARGEST SHAREHOLDER

As of the Latest Practicable Date, Mr. Wang, through Wang Family Limited Partnership, controlled an aggregate of approximately 26.09% of the total share capital of the Company. Pursuant to the voting agreements with each of Tenzing Holdings 2011, Ltd., Jumei International and Bin Jiang (Hong Kong) Limited, respectively, Mr. Wang was also interested in and controlled an aggregate of approximately 9.00% of the total share capital of the Company as of the Latest Practicable Date. Immediately after the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Wang will be interested in and will control an aggregate of approximately 29.82% of our enlarged share capital and will remain as the largest Shareholder of the Company. See "History, Reorganization and Corporate Structure—Our Shareholding and Corporate Structure—Voting Agreements" in this Prospectus for details of the proxy agreements.

SUMMARY

PRE-IPO INVESTMENTS

The Company has completed three rounds of Pre-IPO Investments, a summary of which is set out below:

	First Round Financing	Second Round Financing	Third Round Financing
Cost per Share paid by the Pre-IPO Investors ⁽¹⁾	US\$0.39/Share	US\$0.59/Share	US\$1.52/Share
Unit price per Share × number of Shares then in issue following the respective round of financing	US\$230,191,247	US\$786,639,601	US\$2,163,103,214
Date on which investment was fully settled	September 20, 2016	November 7, 2016	May 29, 2018
Discount to the Offer Price ⁽²⁾	60.90%	40.84%	-52.40%

Notes:

- (1) Assuming the Capitalization Issue has been completed.
- (2) Assuming the Offer Price is fixed at HK\$7.80, being the mid-point of the indicative Offer Price range, and based on the number of Shares in issue upon the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

Pursuant to the Shareholders' agreement dated May 28, 2018 entered into by the Company and the Pre-IPO Investors (the “**May 28 Shareholders' Agreement**”), the Pre-IPO Investors have been granted certain special rights. Except for the redemption right, which was terminated one day before the submission of the initial Listing application of the Company to the Stock Exchange in accordance with the terms of the May 28 Shareholders' Agreement, other special rights granted to the Pre-IPO Investors will be terminated upon Listing.

For details of the Pre-IPO Investments of the Company, see section headed “History, Reorganization and Corporate Structure—Pre-IPO Investments.”

A majority of the existing Shareholders (except for Wang Family Limited Partnership), which will in aggregate hold approximately 60.66% of the issued share capital of the Company upon Listing (assuming the Over-allotment Option is not exercised), have undertaken to the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the

SUMMARY

Underwriters that they will be subject to a lock-up period commencing on the date of the deed and ending on, and including, the date that is six months from the Listing Date, pursuant to the deed of lock-up undertaking provided by each of the them in favor of the Company. For details of such lock-up undertakings, see section headed “Underwriting—Undertakings pursuant to the Hong Kong Underwriting Agreement and Deeds of Lock-up Undertakings—Undertakings by other existing Shareholders.”

OFFERING STATISTICS ⁽¹⁾

All statistics in the following table are based on the assumptions that (i) the Capitalization Issue and the Global Offering have been completed and 250,323,000 new Shares are issued pursuant to the Capitalization Issue and the Global Offering; and (ii) 1,668,817,609 Shares are issued and outstanding following the completion of the Capitalization Issue and the Global Offering saved as disclosed in note (2) below.

	Based on an Offer Price of HK\$6.12 per Share, after a Downward Offer Price Adjustment of 10%	Based on an Offer Price of HK\$6.80	Based on an Offer Price of HK\$8.80
Market capitalization of our Shares ⁽²⁾	HK\$10.21 billion	HK\$11.35 billion	HK\$14.69 billion
Unaudited <i>pro forma</i> adjusted net tangible assets per Share ⁽³⁾	HK\$2.10 (RMB1.86)	HK\$2.20 (RMB1.95)	HK\$2.50 (RMB2.21)

Notes:

- (1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 1,668,817,609 Shares expected to be in issue immediately upon completion of the Capitalization Issue and the Global Offering.
- (3) The calculation of unaudited *pro forma* adjusted net tangible assets per Share as of June 30, 2018 is made after the adjustments referred to in Appendix II to this Prospectus and on the basis that 1,668,817,609 Shares are expected to be in issue immediately upon completion of the Capitalization Issue and the Global Offering.

For the calculation of the unaudited *pro forma* adjusted net tangible assets per Share attributable to our Shareholders, see the section headed “Unaudited *Pro Forma* Financial Information” in Appendix II to this Prospectus.

LISTING EXPENSES

The total estimated listing expenses are approximately HK\$101.1 million (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), of which approximately HK\$50.8 million will be directly attributable to the issue of our Shares and capitalized, and the remaining HK\$50.3 million has been or will be expensed in 2017 and 2018.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$7.80, being the mid-point of the Offer Price range stated in this document, we estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,851.4 million after deduction of underwriting fees and other estimated expenses in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes: (i) approximately HK\$555.4 million (equivalent to approximately RMB491.7 million, representing 30% of the net proceeds) to fund our business expansion; (ii) approximately HK\$555.4 million (equivalent to approximately RMB491.7 million, representing 30% of the net proceeds) to be used in research and development activities; (iii) approximately HK\$555.4 million (equivalent to approximately RMB491.7 million, representing 30% of the net proceeds) to fund our future investments, acquisitions and strategic alliances; and (iv) approximately HK\$185.1 million (equivalent to approximately RMB163.9 million, representing the remaining 10% of the net proceeds) for working capital and other general corporate purposes. In the event that we receive net proceeds from the Global Offering higher or lower than the estimated amount stated above (including where we make a Downward Offer Price Adjustment to set the Offer Price at HK\$6.12 per Share upon making a full Downward Offer Price Adjustment), we will increase or decrease the intended use of the net proceeds for the above purposes on a pro rata basis. For details, see “Future Plans and Use of Proceeds.”

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this Prospectus.

“Alibaba”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the American depositary shares of which are listed on the New York Stock Exchange, including, where the context requires, any of its subsidiaries, including Taobao China;
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering;
“Articles of Association” or “Articles”	articles of association of our Company adopted on November 1, 2018, as amended from time to time, a summary of which is set out in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Companies Law” to this Prospectus;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“BabyTree BVI”	BabyTree Holdings Limited, a business company incorporated under the laws of the BVI on February 9, 2018 and a wholly-owned subsidiary of the Company;
“BabyTree Hong Kong”	BabyTree Group Hong Kong Limited, a company incorporated under the laws of Hong Kong on March 5, 2018 and a wholly-owned subsidiary of BabyTree BVI;
“BabyTree Information”	BabyTree (Beijing) Information and Technology Co., Ltd. (寶寶樹(北京)信息技術有限公司), a company established under the laws of the PRC on August 8, 2007 and a wholly-owned subsidiary of BabyTree Hong Kong;
“Beijing Haoweilai”	Beijing Haoweilai Gongying Investment Center LLP (北京好未來共贏投資中心(有限合夥)), a limited liability partnership registered in the PRC on January 19, 2016;
“Beijing Lujin”	Beijing Lujin Technology Development Co., Ltd. (北京鷺金科技發展有限公司), a company established under the laws of the PRC on May 28, 2013;
“Beijing Shuanghu”	Beijing Shuanghu Investment and Management Co. Ltd. (北京雙湖投資管理有限公司), a company established under the laws of the PRC on April 25, 2013;

DEFINITIONS

“Board” or “Board of Directors”	the board of directors of the Company;
“BVI”	the British Virgin Islands;
“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室);
“CAGR”	compound annual growth rate;
“Capitalization Issue”	the issue of 1,343,836,998 Shares on or prior to the Listing Date to the credit of the share premium account of our Company, details of which are set out in the section headed “History, Reorganization and Corporate Structure—Capitalization Issue and Global Offering”;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
“China”, “mainland China”, “PRC” or “State”	People’s Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires otherwise, references in this Prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan;
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Co-Lead Managers”	First Shanghai Securities Limited and Sinomax Securities Limited;
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time;
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Company”, “our Company”, “the Company”	BabyTree Group (寶樹集團), a company incorporated under the laws of the Cayman Islands on February 9, 2018. The term “BabyTree” used by itself shall have the same meaning unless the context requires otherwise;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“connected transaction”	has the meaning ascribed to it under the Listing Rules;
“Contractual Arrangements”	a series of contractual agreements reached to consolidate our interest in Zhongming entered into among BabyTree Information, Zhongming and its Registered Shareholders during Pre-IPO Reorganization;
“Consolidated Affiliated Entity”	the entity we control through the Contractual Arrangements, being Zhongming;
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會);
“Director(s)”	the director(s) of our Company;
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price at up to 10% below the low end of the indicative Offer Price range;
“Draft FIL”	the discussion draft of a proposed Foreign Investment Law (《中華人民共和國外國投資法(草案徵求意見稿)》);
“Duilong Deqing Yumei”	Duilong Deqing Yumei Zhonghe Venture Capital Center LLP (堆龍德慶譽美中和創業投資中心(有限合夥)), a limited liability partnership registered in the PRC on December 27, 2013 and previously known as Suzhou Industrial Zone Yumei Zhonghe Investment Centre LLP (蘇州工業園區譽美中和投資中心(有限合夥)) (“ Suzhou Yumei Zhonghe ”);
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;

DEFINITIONS

“Exclusive Business Cooperation Agreement”	an exclusive business cooperation agreement dated May 23, 2018, entered into by and among BabyTree Information, the Registered Shareholders and Zhongming 《獨家業務合作協議》;
“Exclusive Option and Equity Entrustment Agreement”	an exclusive option and equity entrustment agreement dated May 23, 2018, entered into among BabyTree Information, the Registered Shareholders and Zhongming 《獨家購買權及股權託管協議》;
“FITE Regulations”	the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》);
“Fosun”	Fosun International Limited and its affiliates, including Startree (BVI) Limited;
“Founder”	Mr. Wang, who founded our Group;
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company and an Independent Third Party;
“F&S Report” or “Frost & Sullivan Report”	the independent industry report prepared by Frost & Sullivan commissioned by us;
“GFA”	gross floor area;
“Global Offering”	the Hong Kong Public Offering and the International Offering;
“Gongqingcheng Heyu”	Gongqingcheng Heyu Investment and Management LLP (共青城闔裕投資管理合夥企業(有限合夥), a limited liability partnership registered in the PRC on June 16, 2015;
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited;
“Group”	our Company and all of our subsidiaries and the Consolidated Affiliated Entity or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries and the Consolidated Affiliated Entity, the businesses operated by such subsidiaries and the Consolidated Affiliated Entity or their predecessors (as the case may be);

DEFINITIONS

“Haitun International”	Haitun (Shanghai) International Trading Co., Ltd. (海囤(上海)國際貿易有限公司), a company established under the laws of the PRC on April 10, 2015, and a wholly-owned subsidiary of Meitun Mama;
“Hangzhou Binchuang”	Hangzhou Binchuang Equity Investment Co., Ltd. (杭州濱創股權投資有限公司), a company established under the laws of the PRC on February 25, 2016;
“Hangzhou Tongyuan”	Hangzhou Tongyuan Equity Investment LLP (杭州同源股權投資合夥企業(有限合夥)), a limited liability partnership registered in the PRC on May 28, 2015;
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Offer Shares”	the 25,032,500 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this Prospectus);
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this Prospectus and the Application Forms;
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting—Hong Kong Underwriters” in this Prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 14, 2018 relating to the Hong Kong Public Offering entered into by, among inter alia, our Company, Mr. Wang, Golden Leaf Holdings Limited, Golden Leaf Cayman Holdings Limited, Wang Family Limited Partnership, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters);

DEFINITIONS

“IFRS”	International Financial Reporting Standards;
“Independent Third Party”	an individual or a company which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules;
“International Offer Shares”	the 225,290,500 Shares being offered for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” in this Prospectus;
“International Offering”	the offer of the International Offer Shares at the Offer Price, in the United States to QIBs only in reliance on Rule 144A and outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this Prospectus;
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering;
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, Mr. Wang, Golden Leaf Holdings Limited, Golden Leaf Cayman Holdings Limited, Wang Family Limited Partnership, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) on or about the Price Determination Date;
“Joint Global Coordinators”	Morgan Stanley Asia Limited, Haitong International Securities Company Limited, China Merchants Securities (HK) Co., Limited and UBS AG Hong Kong Branch;
“Joint Bookrunners”, “Joint Lead Managers”	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), Haitong International Securities Company Limited, China Merchants Securities (HK) Co., Limited, UBS AG Hong Kong Branch, Fosun Hani Securities Limited and AMTD Global Markets Limited;

DEFINITIONS

“Joint Sponsors”	Morgan Stanley Asia Limited, Haitong International Capital Limited and China Merchants Securities (HK) Co., Limited;
“Jumei International”	Jumei International Holding Limited, a company listed on the New York Stock Exchange (ticker symbol: JMEI);
“Largest Shareholder”	Mr. Wang, the largest shareholder of the Company, who controlled approximately 26.09% interest in the Company through Wang Family Limited Partnership, and was interested in and controlled an aggregate of 9.00% of the total share capital of the Company pursuant to the voting agreements with certain Shareholders, as of the Latest Practicable Date;
“Latest Practicable Date”	November 5, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication;
“Lingheng Investment”	Lingheng Investment Holdings (Beijing) Co., Ltd. (凌恒投資控股(北京)有限公司), a company established under the laws of the PRC on October 29, 2015;
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange;
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange;
“Listing Date”	the date, expected to be on or about November 27, 2018, on which dealings in our Shares first commence on the Main Board;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
“Loan Agreement”	a loan agreement dated May 23, 2018, provided by BabyTree Information to Mr. Wang in the amount of RMB2,718,538,767.21 《借款協議》;

DEFINITIONS

“M&A Rules”	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAMR (formerly known as the “State Administration for Industry and Commerce of the PRC” (SAIC)), the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange;
“Meitun Mama”	Meitun Mama (Shanghai) E-commerce Co., Ltd. (美國媽媽(上海)電子商務有限公司), a company established under the laws of the PRC on October 11, 2014, and a wholly-owned subsidiary of BabyTree Information;
“Meitun Meiwu”	Meitun Meiwu (Shanghai) Information Technology Co., Ltd. (美國美物(上海)信息技術有限公司), a company established under the laws of the PRC on November 5, 2014, and a wholly-owned subsidiary of Meitun Mama;
“Mr. Wang”	Mr. WANG Huainan (王懷南), the Founder, chairman and chief executive officer of the Group;
“MIIT” or “Ministry of Industry and Information Technology”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部);
“MOCT” or “Ministry of Culture and Tourism”	the Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅遊部), formerly known as the “Ministry of Culture” (“ MOC ”);
“MOF” or “Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部);
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部);
“MOST” or “Ministry of Science and Technology”	the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部);
“MPS” or “Ministry of Public Security”	the Ministry of Public Security of the PRC (中華人民共和國公安部);

DEFINITIONS

“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
“Ningbo Baoshu”	Ningbo Baoshu Investment and Management LLP (寧波寶樹投資管理合夥企業(有限合夥)), a limited liability partnership registered in the PRC on December 16, 2015, our employee shareholding platform;
“Ningbo Bowen”	Ningbo Bowen Tongda Investment and Management LLP (寧波博聞通達投資管理合夥企業(有限合夥)), a limited liability partnership registered in the PRC on December 16, 2015, our employee shareholding platform;
“Ningbo Danfu”	Ningbo Danfu Chengzhang Investment LLP (寧波澹複成長投資合夥企業(有限合夥)), a limited liability partnership registered in the PRC on January 26, 2016;
“Ningbo Honghu”	Ningbo Honghu Investment and Management LLP (寧波鴻鵠投資管理合夥企業(有限合夥)), a limited liability partnership registered in the PRC on December 16, 2015, our employee shareholding platform;
“Ningbo Meitun”	Ningbo Meitun Mama E-commerce Co., Ltd. (寧波美國媽媽電子商務有限公司), a company established under the laws of the PRC on September 23, 2015, and a wholly-owned subsidiary of Meitun Mama;
“Ningbo Yimengweima”	Ningbo Yimengweima Enterprise Management Center LLP (寧波以夢為馬企業管理中心(有限合夥)), a limited liability partnership registered in the PRC on January 5, 2017;
“Ningbo Zhaoyin”	Ningbo Zhaoyin Shouxin Investment LLP (寧波招銀首信投資合夥企業(有限合夥)), a limited liability partnership registered in the PRC on December 14, 2015;
“Ningbo Zhishan”	Ningbo Zhishan Zhizhen Investment and Management LLP (寧波至善至臻投資管理合夥企業(有限合夥)), a limited liability partnership registered in the PRC on December 16, 2015, our employee shareholding platform;
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$8.80 and expected to be not less than HK\$6.80, such price to be agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date;

DEFINITIONS

“Offer Related Documents”	any statement contained in any of this Prospectus, the Application Forms, the formal notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering;
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares;
“Over-allotment Option”	the option to be granted by us to the International Underwriters (exercisable by the Joint Global Coordinators on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 37,548,000 additional Shares (representing approximately 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed “Structure of the Global Offering—Over-allotment Option” in this Prospectus;
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“Powers of Attorney”	an irrevocable powers of attorney dated May 23, 2018 entered into between each of the Registered Shareholders and BabyTree Information;
“PRC Legal Advisors”	Commerce & Finance Law Offices, being the legal advisors to the Company as to the PRC laws;
“Pre-IPO Investments”	certain rounds of financings carried out by the Group before the Global Offering;
“Pre-IPO Investors”	the investors of Pre-IPO Investments;
“Price Determination Date”	the date, expected to be on or about November 20, 2018 on which the Offer Price is to be fixed by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters);
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering;
“Qianhe Investment”	Qianhe Investment Co., Ltd. (千合投資有限公司), a company established under the laws of the PRC on July 11, 2013;
“QIB”	a qualified institutional buyer within the meaning of Rule 144A;

DEFINITIONS

“Qingdao Zhaojin”	Qingdao Zhaojin Wenjian Investment Center LLP (青島招金穩健投資中心(有限合夥)), a limited liability partnership registered in the PRC on September 18, 2016;
“R&D”	research and development;
“Reemake Media”	Reemake Media Co., Ltd. (北京創銳文化傳媒有限公司), a company established under the laws of the PRC on August 5, 2009;
“Registered Shareholders”	the shareholders of Zhongming upon completion of the Pre-IPO Reorganization, being Mr. Wang, Lingheng Investment, Mr. SHAO Zhenping (邵振平), Ningbo Zhishan, Beijing Lujin, Mr. WANG Yawei (王亞偉), Ningbo Honghu, Ningbo Baoshu, Ningbo Yimengweima and Mr. WANG Changying (王長穎);
“Regulation S”	Regulation S under the U.S. Securities Act;
“Renminbi” or “RMB”	the lawful currency of the PRC;
“Pre-IPO Reorganization”	the corporate reorganization of our Group in preparation for the Listing, particulars of which are set out in the section headed “History, Reorganization and Corporate Structure” in this Prospectus;
“Rule 144A”	Rule 144A under the U.S. Securities Act;
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
“SAFE Circular 37”	Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》);
“SAMR”	the State Administration for Market Regulation of PRC (中華人民共和國國家市場監督管理總局), formerly known as the the “State Administration for Industry and Commerce of the PRC” (“SAIC”);

DEFINITIONS

“SART”	the State Administration of Radio and Television of PRC (中華人民共和國國家廣播電視總局), formerly known as the “State Administration of Press and Publication, Radio, Film, and Television of the PRC” (“SAPPART”);
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);
“SAT”	the State Administration of Taxation (國家稅務總局);
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會);
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Shanghai Chuangji”	Shanghai Chuangji Investment Centre LLP (上海創稷投資中心(有限合夥)), a limited liability partnership registered in the PRC on June 11, 2015;
“Shanghai Noah”	Shanghai Noah Investment Management Co., Ltd. (上海諾亞投資管理有限公司), a company established under the laws of the PRC on August 26, 2005;
“Shanghai Shitian”	Shanghai Shitian Investment Center LLP (上海蒔添投資中心(有限合夥)), a limited liability partnership registered in the PRC on February 3, 2016;
“Shanghai Zhangting”	Shanghai Zhangting Investment and Management Center LLP (上海彰霆投資管理中心(有限合夥)), a limited liability partnership registered in the PRC on January 28, 2016;
“Share(s)”	ordinary shares in the share capital of our Company of US\$0.0001 each;
“Shareholder(s)”	holder(s) of our Share(s);
“Share Pledge Agreement”	a share pledge agreement dated May 23, 2018, entered into among Zhongming, the Registered Shareholders and BabyTree Information 《股權質押協議》;
“Shenzhen Huagai”	Shenzhen Huagai Chuangfu Jiyu Equity Investment LLP (深圳華蓋創富機遇股權投資合夥企業(有限合夥)), a limited liability partnership registered in the PRC on December 2, 2015;

DEFINITIONS

“Stabilization Manager”	Morgan Stanley Asia Limited;
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into between Wang Family Limited Partnership and the Stabilization Manager;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance;
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Syndicate Members”	each of the underwriters of the Hong Kong Public Offering and the International Offering, collectively;
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
“Taobao China”	Taobao China Holding Limited, a company incorporated under the laws of Hong Kong on March 26, 2003 and an indirect wholly-owned subsidiary of Alibaba Group Holding Limited. It is the holding company of certain subsidiaries relating to Taobao Marketplace. It held approximately 9.90% Shares as of the Latest Practicable Date;
“Tianjin Chenshan”	Tianjin Chenshan Yushu Asset Management LLP (天津晨山育樹資產管理合夥企業(有限合夥)), a limited liability partnership registered in the PRC on March 4, 2016;
“Tianjin Dingmao”	Tianjin Dingmao Zhonghe Enterprise Management Center LLP (天津丁卯中和企業管理中心(有限合夥)), a limited liability partnership registered in the PRC on May 14, 2015;
“Tianjin Feizhu”	Tianjin Feizhu Asset Management LLP (天津飛豬資產管理合夥企業(有限合夥)), a limited liability partnership registered in the PRC on June 11, 2015;
“Tianjin Wuchen”	Tianjin Wuchen Zhonghe Enterprise Management Center LLP (天津戊辰中和企業管理中心(有限合夥)), a limited liability partnership registered in the PRC on May 14, 2015;
“Track Record Period”	the period comprising the three financial years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018;

DEFINITIONS

“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States;
“U.S. persons”	U.S. persons as defined in Regulation S;
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“VIE structure”	the “variable interest entity” structure;
“we,” “us” or “our”	the Company or the Group, as the context requires;
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name;
“ WHITE Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk ;
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited;
“Withdrawal Mechanism”	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g., the Offer Price) in the prospectus; (b) extend the offer period and allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e., requiring investors to positively confirm their applications for shares despite the changes);
“Wuhan Meitun”	Wuhan Meitun Mama E-commerce Co., Ltd. (武漢美國媽媽電子商務有限公司), a company established under the laws of PRC with limited liability on April 13, 2017, and a wholly-owned subsidiary of Meitun Mama;
“Xiaojia Finance”	Shanghai Xiaojia Finance Technology Services Co., Ltd. (上海小嘉金融科技服務有限公司), a company established under the laws of PRC with limited liability on September 3, 2018 with a registered capital of RMB30,000,000, which is owned as to 86% by Meitun Mama;
“Xinxin Xiangrong”	Xinxin Xiangrong Education and Technology (Beijing) Co., Ltd. (欣欣相融教育科技(北京)有限公司), a company established under the laws of the PRC on June 23, 2015;

DEFINITIONS

“Yadong Xinwei”	Yadong Xinwei Investment and Management Co., Ltd. (亞東信維投資管理有限公司), a company established under the laws of the PRC on April 27, 2016. Yadong Xinwei is an affiliate of Startree (BVI) Limited, which is a wholly-owned subsidiary of Fosun International Limited;
“ YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS;
“Yifangda”	Yifangda Asset Management Co., Ltd. (易方達資產管理有限公司), a company established under the laws of the PRC on June 28, 2013;
“ZhongAn Insurance”	ZhongAn Online P&C Insurance Co., Ltd. (眾安在線財產保險股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and carrying on business in Hong Kong as “ZA Online Fintech P&C,” the shares of which are listed on the Stock Exchange; and
“Zhongming”	Beijing Zhongming Century Science and Technology Co., Ltd. (北京眾鳴世紀科技有限公司), a company established under the laws of the PRC on March 1, 2006, which is owned by the Registered Shareholders upon completion of the Pre-IPO Reorganization.

GLOSSARY OF TECHNICAL TERMS

In this Prospectus, unless the context otherwise requires, certain terms used in connection with us and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meanings or usages or meanings assigned by other companies.

“A/B testing”	a way to compare two versions of a single variable, typically by testing a subject’s response to variable A against variable B and determining which variable is more effective;
“active group”	a bulletin board discussion group on our <i>Babytree Parenting</i> platform in which at least one user activity, such as raising a question, initiating a discussion or commenting on an existing topic, occurred in the calendar month;
“active user”	an active user is a person who accesses our platforms, via PC, WAP or mobile app, for a given period of time;
“addressable market”	the annual revenue opportunity that is available to a product or service;
“age -2” and “age 6”	for convenience, where we use “age -2,” we are referring to users that are two years before childbirth (i.e., approximately one year pre-pregnancy); similarly, where we use “age 6,” we are referring to users with children aged 6. Similar expressions should be construed accordingly;
“Alipay”	a third-party online payment platform developed by Ant Financial Services Group;
“Android”	an operating system developed and maintained by Google Inc., used in touchscreen technology including, smartphones and tablets;
“average retention rate”	the arithmetic average of the retention rates for the months in the period;
“birth rate”	the number of live births per thousand of population per year;
“C2M”	acronym for “consumer to manufacturer,” a business model with intermediate links between consumers and manufacturers, such as inventory, logistics, sales and distribution, omitted to save cost;
“CDN”	acronym for “content distribution network” or “content delivery network,” a system of distributed servers (network) that deliver pages and other Web content to users, based on the geographic locations of the users, the origin of the webpage and the content delivery server;

GLOSSARY OF TECHNICAL TERMS

“Class III Grade A hospitals (三級甲等醫院)”	hospitals of the top level in the PRC NHFPC hospital classification system;
“click-through rate”	the proportion of visitors to a web page who follow a hypertext link to access a particular site;
“cloud”	a term referring to accessing computer, information technology and software applications through a network connection, often by accessing data centers using wide area networking or Internet connectivity;
“conversion rate”	the percentage of visitors to a website who complete a desired goal, such as making a purchase, out of the total number of visitors;
“core bio data”	with respect to a particular user, days into pregnancy, the baby’s due date or the baby’s birthday;
“CPC”	acronym for “cost per click.” Under a CPC model, the advertiser pays the publisher a predetermined amount each time its ad is clicked;
“CPM”	acronym for “cost per mille.” Under a CPM model, the advertiser pays the publisher a predetermined amount for every 1,000 ad views served;
“direct sales”	the action of marketing and selling products directly to the consumer as compared to sales made through third party retailers;
“EDI license”	acronym for “electronic data interchange license,” a license issued by MIIT to permit China-based companies to provide online data processing and transaction processing services;
“feed”	a stream of content appearing on a web or mobile app page that a user can scroll through, which can be editorial (e.g., articles or news) or listings (e.g., products or services), among others;
“GMV”	acronym for “gross merchandise volume,” the total volume of sales over a given time period on our e-commerce platform, gross of applicable delivery charges, sales discounts, cancellations, returns and VAT;
“ICP license”	Internet content provider license, a license issued by MIIT to permit China-based websites to operate in China;
“IDC”	Internet data center;

GLOSSARY OF TECHNICAL TERMS

“image recognition”	the ability of software to identify objects, places, people, writings or actions in image;
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in devices adopting Apple Inc.’s touchscreen technology, including iPhones, iPods and iPads;
“IP”	acronym for “Internet Protocol,” the method or protocol by which data are sent from one computer to another on the Internet;
“IP address”	a numerical label assigned to each device connected to a computer network that uses the IP for communication;
“KOL”	acronym for “key opinion leaders,” the users of an Internet product who are accepted or trusted by other users of the Internet product and can significantly influence their decisions;
“Level III dieticians”	dieticians who have passed the corresponding level of national professional examination for dieticians and satisfied certain conditions related to professional experience, a level designated by the Ministry of Human Resources and Social Security of the PRC (formerly known as the “Ministry of Labor and Social Security of the PRC”);
“Level III psychologists”	psychologists who have passed the corresponding level of national professional examination for psychologists (which have been canceled since 2017) and satisfied certain conditions related to professional experience, a level designated by the Ministry of Human Resources and Social Security of the PRC (formerly known as the “Ministry of Labor and Social Security of the PRC”);
“marketplace”	an operation model for e-commerce, where an operator such as us sets up and maintains an online platform for third-party vendors to sell, and users to buy, products, on which the operator charges a commission;

GLOSSARY OF TECHNICAL TERMS

“MAU”	acronym for “monthly active user,” calculated by counting the number of active users during the calendar month in question. The number of MAUs of our mobile apps is tracked and calculated by Umeng (友盟), a third-party data tracking service provided by Beijing Ruixunlingtong Technology Co., Ltd (北京銳訊靈通科技有限公司). The number of our PC and WAP MAUs is tracked and calculated by us internally, using the number of unique cookies (a commonly used tracking code) recorded by the Internet browsers that access such website at least once during the calendar month;
“MCN”	acronym for “multi-channel network,” an organization that works with video platforms to offer assistance to a channel owner in areas such as product, programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, and/or audience development in exchange for a percentage of the ad revenue from the channel;
“M&C”	acronym for “maternity and child”;
“M&C group”	a group consisting of mothers and young children between ages -2 and 6;
“NLP”	acronym for “natural language processing,” a way for computers to analyze, understand and derive meaning from human language in a smart and useful way;
“non-standard products”	products offered on our e-commerce platform that are not standard products (as defined below);
“P4P”	acronym for “pay-for-performance,” a payment model that offers financial incentives to service providers for meeting certain performance measures;
“pain points”	problems or needs that customers are aware of and aim to solve that have not been addressed by other service or product providers;
“paying user”	user who has paid for a product or service on our platforms in any given time period. We track the numbers of paying users for our e-commerce and content monetization businesses separately, based on internal data. We are unable to identify and adjust for any duplications in paying users between the two businesses;
“PC”	acronym for “personal computer”;

GLOSSARY OF TECHNICAL TERMS

“PGC”	acronym for “professionally generated content,” any form of content created by experts in the relevant fields and made available on our platforms;
“PUGC”	acronym for “professional user-generated content,” content produced by professional users, including our KOLs, as complement to our PGC and UGC;
“registered users”	users who have provided core bio data to us;
“repeat customer”	a customer (used in the content monetization context) is considered a repeat customer as of a certain date if she has made a purchase with us anytime in the previous 30 days on a rolling basis;
“retention rate”	for each month, the retention rate refers to the percentage of the new registered users of a mobile app (<i>Babytree Parenting</i> or <i>WeTime</i>) in a specific month that remained active users after a one-month or three-month period. Our user retention data are provided by Umeng, thus such data presented in this Prospectus may have been subject to multiple occasions of rounding;
“SEM”	acronym for “search engine marketing,” a form of Internet marketing that involves the promotion of websites by increasing their visibility in search engine results pages primarily through paid advertising, which may incorporate SEO;
“SEO”	acronym for “search engine optimization,” the process of affecting the online visibility of a website or a web page in a web search engine’s unpaid results;
“SKU”	acronym for “stock keeping unit,” a number assigned to a product to identify the price, product options and manufacturer of the merchandise;
“standard products”	products that conform to specifications and models resulting from the same or equivalent technical requirements, being, in our case, baby formula and paper diapers on our e-commerce platform;
“take rate”	the fees and commissions that an e-commerce marketplace operator collects on sales by third-party vendors, expressed as a percentage of the relevant GMV;
“TMT”	acronym for “technology, media and telecommunication”;

GLOSSARY OF TECHNICAL TERMS

“UGC”	acronym for “user-generated content,” any form of content created by users of our platforms and made available on our platforms;
“UI”	acronym for “user interface,” everything designed into an information device with which a person may interact, including display screens, keyboards, a mouse and the appearance of a desktop;
“unique visit”	the number of times a site is visited over a period of time, new visits by that same person are not counted;
“user profile”	a visual display of personal data associated with a specific user, or a customized desktop environment;
“WAP”	acronym for “wireless application protocol,” a technical standard for accessing information over a mobile wireless network;
“ <i>WeChat Pay</i> ”	a third-party mobile payment platform developed by Tencent Holdings Limited;
“young family”	families between two years before the birth of a child and six years after; and
“young family market”	the market aiming for the demand of young families for products or services.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this Prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this Prospectus and the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and

FORWARD-LOOKING STATEMENTS

- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this Prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this Prospectus. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this Prospectus, including our consolidated financial information and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to the Contractual Arrangements; (iii) risks relating to conducting business in China; and (iv) risks relating to the Global Offering. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our businesses, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If we are not able to maintain and enhance our brand, or if events that occur damage our reputation and brand, our ability to expand our user base may be impaired, and our business and financial results may be harmed.

We own and operate the largest and most active M&C-focused community-based platforms in China, with an average 139.0 million total MAUs in 2017, according to the Frost & Sullivan Report. We believe that the *Babytree* brand has significantly contributed to the success of our business. We also believe that maintaining and enhancing our brand is critical to expanding our user base. Many of our new users were referred to us by existing users through word of mouth, and therefore we strive to ensure that our users remain favorably inclined towards *Babytree*. Maintaining and enhancing our brand will depend largely on our ability to continue to provide useful, reliable, trustworthy and innovative products, which we may not do successfully. We may introduce new products that users do not like, which may negatively affect our brand. Additionally, our brand image may be damaged if users do not have a positive experience using our apps and websites. We may experience media, legislative, or regulatory scrutiny of our decisions regarding user privacy or other issues, which may adversely affect our reputation and brand. We also may fail to provide adequate customer service, which could erode confidence in our brand. Our brand may also be negatively affected by the actions of users that are deemed to be hostile or inappropriate to other users. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not be successful. If we fail to successfully promote and maintain the *Babytree* brand or if we incur excessive expenses in this effort, our business and financial results may be adversely affected.

We receive media coverage. Any unfavorable publicity regarding, for example, our privacy practices, product changes, product quality, litigation or regulatory activity, or the actions of our business partners or our users, could adversely affect our reputation. Such negative publicity also could have an adverse effect on the size, engagement and loyalty of our user base and result in decreased revenue, which could adversely affect our business and financial results.

RISK FACTORS

Our business is highly competitive. If we are unable to compete effectively, our business, financial conditions and results of operations may be materially and adversely affected.

We face significant competition from M&C product and service providers. See the section headed “Business—Competition” in this Prospectus. We also face competition from traditional and online media outlets for advertising budgets. As we introduce new products, as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition.

Some of our current and potential competitors may have greater resources and better competitive positions in certain markets than we do, which may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market requirements. Our competitors may develop products, features or services that are similar to ours or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. Certain competitors could use strong or dominant positions in one or more markets to gain competitive advantage against us in areas where we operate by making acquisitions or by making access to our platform more difficult. As a result, our competitors may acquire and engage users at the expense of the growth or engagement of our user base, which may negatively affect our business and financial results.

We believe that our ability to compete effectively depends upon many factors within and beyond our control, such as:

- the size and composition of our user base;
- the engagement of our users with our products;
- our ability to monetize;
- the timing and market acceptance of products, including developments and enhancements to our or our competitors’ products;
- the usefulness, ease of use, performance and reliability of our products compared to our competitors;
- our reputation and brand strength relative to our competitors;
- the frequency, size, and relative prominence of the ads and other commercial content displayed by us or our competitors;
- customer service and support efforts;
- marketing and selling efforts;
- changes mandated by legislation, regulatory authorities, or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;

RISK FACTORS

- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to attract, retain, and motivate talented employees, particularly software engineers; and
- our ability to cost-effectively manage and grow our operations.

If we are not able to effectively compete, our user base and level of user engagement may decrease, which could make us less attractive to advertisers and materially and adversely affect our business, results of operations and financial condition.

If we fail to retain existing users or attract new users, or if our users decrease their level of engagement with us, our business, results of operations and financial condition may be adversely affected.

The size of our user base and our users' level of engagement are critical to our success. Our financial performance has been and will continue to be significantly determined by our success in attracting, retaining and engaging active users. Our active online user growth may decline over time as our active online user base expands and as we occupy larger market shares. Also, the number of our new users is to an extent correlative with the number of new births in China. There is no assurance that fertility rates in China will increase or, even if they do, increase as much as expected. The number of new births in China fell from 17.9 million in 2016 to 17.2 million in 2017, according to the National Bureau of Statistics, which may be contrary to the perception that China's relaxed population control policy which took effect in 2016 will reverse China's declining fertility rates. To the extent our active user growth rate slows, our business performance will become increasingly dependent on our ability to increase levels of user engagement in current and new markets. If people do not perceive our products and services to be useful, reliable and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. There is no guarantee that we will not experience an erosion of our active user base or engagement levels. A decrease in user retention, growth or engagement could render our products less attractive to our business partners, such as advertisers, which may have a material and adverse impact on our business, financial condition and results of operations. Any number of factors could potentially negatively affect user retention, growth and engagement, including if:

- users increasingly engage with competing products or services;
- we are unable to upgrade our existing products and services to maintain the freshness of our products and services, we fail to introduce new and improved products and services or we introduce new products or services that are not favorably received;
- we are unable to continue to develop and upgrade products and services for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, that achieve a high level of market acceptance and that meet different and changing user needs;

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- there are changes in user sentiment about the quality or usefulness of our products and services or concerns related to privacy and sharing, safety, security or other factors;
- we are unable to meet different needs from different user groups;
- we are unable to manage and prioritize information to ensure users are presented with content that is interesting, useful and relevant to them;
- we are unable to successfully balance our efforts to provide a compelling user experience with the decisions we make with respect to the frequency, prominence and size of ads and other commercial content that we display;
- there are adverse changes in government policies or adverse changes in our products and services that are mandated by legislation, regulatory authorities or litigation;
- technical or other problems prevent us from delivering our products and services in a rapid and reliable manner or otherwise affect the user experience or make us lose user trust;
- we adopt policies or procedures related to areas such as sharing our user data that are perceived negatively by our users or the general public;
- we fail to provide adequate customer service to users, developers or advertisers; or
- we or other companies in our industry are the subject of adverse media reports or other negative publicity.

If we are unable to maintain and increase our user base and user engagement, our revenue, financial results, and future growth potential may be adversely affected.

We derive a substantial portion of our revenue from a limited number of key advertising customers during the Track Record Period, which may make our cash flow and earnings volatile. Our long-term plan to reduce such volatility may not be successful.

Our traditional source of revenue is advertising, which was the largest contributor to our revenue during the Track Record Period. In 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, revenue generated by our advertising business was RMB167.3 million, RMB267.9 million, RMB372.4 million, RMB170.1 million and RMB298.1 million, respectively, accounting for 83.7%, 52.6%, 51.0%, 47.0% and 73.2%, respectively, of our total revenue. We place ads across our platforms, and also push ads to users on a targeted basis, based on our analysis of big data. Our ability to grow advertising revenue with our existing or new advertising clients is dependent in large part on our ability to generate revenue for them relative to their alternative advertising venues. Advertisers will not continue to do business with us if their ads with us do not generate sales leads, customers or revenue and profit on a cost-effective basis. Our ability to provide value to our advertising partners depends on a number of factors, including acceptance of online advertising versus more traditional forms of advertising, competitiveness of our products, traffic quality, perception of our platform, availability and accuracy of analytics and measurement solutions to demonstrate our value, and

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macroeconomic conditions, whether in the advertising industry generally, among specific types of marketers or within particular geographies. We cannot assure you that our users will view the ads we promote and be interested in the products we recommend. Therefore, we may not be able to effectively drive users from our content and social features to our monetization models, such as content monetization products or the e-commerce platform. Moreover, there is no assurance that such recommendation will always be wanted. If users perceive that their data are appropriated for commercial means or their experience is over-commercialized, user engagement may be harmed. As a result, our business, results of operations, financial condition and prospects may be materially adversely affected.

Moreover, a significant portion of our revenue is attributable to a limited number of advertising customers. For 2015, 2016 and 2017 and the first half of 2018, our five largest customers contributed to 33.7%, 21.5%, 25.7% and 31.4%, respectively, of our total revenue for the same period. We expect that such largest customers will continue to account for a significant portion of our revenue in the foreseeable future. This may lead to heightened customer or credit concentration risks. Further, we cannot assure you that our existing largest customers will be our repeat clients. We do not have long-term cooperation agreements or exclusive arrangements with these advertisers and they may select other media outlets, including our competitors. If we fail to retain and enhance our business relationships with advertisers and advertising agencies, our business, financial condition, results of operations and prospects may be materially and adversely affected. If we lose our existing large customers or fail to attract new customers, our business, financial condition, results of operations and cash flows could be materially and adversely affected. Such concentration on large customers also makes our cash flow and earnings volatile. Our long-term plan is to reduce such volatility by increasing the proportion of revenue derived from other customers over time and thus decrease our reliance on our largest customers. There is, however, no assurance that this plan will be successful.

Our new monetization models may not be successful.

We have developed several relatively new monetization models, namely, e-commerce and content monetization, which started to generate revenue in 2015 and 2016, respectively. We also launched our C2M business (under e-commerce) in 2017. In 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, revenue generated by our e-commerce business was RMB32.7 million, RMB240.2 million, RMB332.6 million, RMB183.8 million and RMB90.6 million, respectively, accounting for 16.3%, 47.1%, 45.6%, 50.8% and 22.2%, respectively, of our total revenue. Our revenue from e-commerce declined substantially in the first half of 2018 as compared with the first half of 2017 as we conceived and gradually implemented new priorities in our monetization efforts and scaled down both direct sales and marketplace operations. We cannot assure you that revenue from e-commerce will increase to historical levels, or at all. In 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, revenue generated by our content monetization was nil, RMB1.7 million, RMB24.7 million, RMB7.9 million and RMB18.8 million, respectively, accounting for nil, 0.3%, 3.4%, 2.2% and 4.6%, respectively, of our total revenue.

RISK FACTORS

We have a short operating history in these businesses, and you should consider our prospects in light of the risks, expenses and challenges that we may face as an early-stage company with limited experience operating such businesses in a competitive market. We have encountered and expect to continue to encounter risks and difficulties frequently experienced by early-stage businesses, and those risks and difficulties may be heightened in a rapidly evolving market. Some of the risks affect our ability to:

- retain customers and qualified employees;
- maintain effective control of our development as well as operating costs and expenses;
- develop and maintain internal personnel, systems, controls and procedures to comply with the extensive regulatory requirements applicable to the relevant industries;
- identify suitable business partners for our new monetization initiatives;
- respond to competitive market conditions in the relevant industries; and
- respond to changes in our regulatory environment.

Our failure to achieve any of the above may jeopardize our profitability in advertising, content monetization and e-commerce in the manner we contemplate, which in turn would cause an adverse effect on our business and prospects, financial position, results of operations and cash flows.

Failure to protect confidential information of our online users and our network against security breaches, any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies could substantially harm our business, financial condition and results of operations.

Our platforms collect, store and process personal and other sensitive data from our users. Users are required to provide bio data for registration on our platforms. For basic registration, we only require core bio data, including where a user is in the pregnancy and parenting cycle. A user can also choose to provide more information to us, including a telephone number or an email address, and become a fully registered user with a user ID. We also collect users' behavioral data as users use our platforms, such as page views and searches. Our security measures may be breached due to employee error, malfeasance, system errors or vulnerabilities, or otherwise. Outside parties may also attempt to fraudulently induce employees or users to disclose sensitive information in order to gain access to our data or our users' data. While we have taken steps to protect the confidential information that we have access to, our security measures could be breached. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our platforms could cause confidential user information to be stolen and used for unlawful purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. Under Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the

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“Cyber Security Law”), network operators are generally obligated to protect their networks against disruption, damage or unauthorized access, and to prevent data leakage, theft or tampering. In addition, they will also be subject to specific rules depending on their classification under the multi-level network security protection scheme. With respect to the personal information protection, the Cyber Security Law requires network operators not to disclose, tamper with or damage personal information collected or generated in the business operation, and they are obligated to delete unlawfully collected information and to amend incorrect information. In addition, network operators may not collect, use or provide personal information to others without consent. Moreover, the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) is the specialized regulation governing the collection, use, disclosure and security of personal information. These laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. The evolving PRC regulations regarding (i) data collection, usage and transfer; and (ii) cyber security may lead to future restrictions and the establishment of new regulatory agencies, and we may bear more legal responsibilities and compliance costs, which may have an adverse effect on our prospects. Furthermore, our expanding operations may subject us to privacy protection regulations in other jurisdictions, such as the General Data Protection Regulations of the European Union and the European Economic Area, if relevant.

If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our reputation and brands could be severely damaged and we could incur significant liability, and our business, financial condition and results of operations could be adversely affected.

We have a history of net losses and negative net operating cash flows and may continue to incur net losses and negative net operating cash flows in the future.

We incurred significant net losses, as we are still at an early stage of monetization. As of the beginning of the Track Record Period, we recorded accumulated losses of RMB19.0 million from earlier operations. We incurred a net loss of RMB286.4 million, RMB934.5 million, RMB911.1 million, RMB388.0 million and RMB2,175.0 million in 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. During the same periods, the fair value change of financial liabilities at fair value through profit or loss was RMB112.5 million, RMB927.3 million, RMB1,049.9 million, RMB477.1 million and RMB2,297.3 million, respectively. If the impact of the fair value change of financial liabilities at fair value through profit or loss and equity-settled share-based payment expense were excluded, we would have incurred an adjusted net loss of RMB172.2 million for 2015 and an adjusted net profit of RMB44.4 million and RMB138.8 million for 2016 and 2017, respectively. See “Financial Information—Non-IFRS Measure.” We expect to record a net loss for the year ending December 31, 2018 as a result of estimated fair value loss in relation to the financial instruments with preferred rights. In addition, we had net liabilities as of December 31, 2017 partly due to accumulated losses. We cannot assure you that we will be able to generate net profits in the future. Our profitability depends on our ability to grow our business and increase our revenues and our ability to control our costs and operating expenses. Although we have experienced significant revenue growth since our inception, such growth may not be sustainable and we may incur net loss again in future periods. In addition, we expect our costs and other operating expenses to continue to increase as we expand our business, which may reduce our net income and result in future losses. If our costs and operating expenses continue to increase without a commensurate increase in our revenue, our business, financial condition and results of operations will be negatively affected.

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For the years ended December 31, 2015 and 2016 and the six months ended June 30, 2018, we recorded negative net cash flows from operating activities of approximately RMB155.4 million, RMB20.7 million and RMB46.3 million, respectively. Our negative net operating cash flow was principally attributable to our loss before taxation. We cannot assure you that we will not experience negative net operating cash flows in the future. Negative net operating cash flows require us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations, may not be able to develop our business as planned or may fail to meet our capital expenditure requirements. As a result, our business, financial condition and results of operations will be negatively affected.

If we fail to develop or maintain relationships with business partners, including advertisers and advertisement agents, vendors in our e-commerce marketplace, partners of our C2M business, experts and KOLs who contribute content, our user activities and business could be adversely affected.

We rely on our business partners, such as advertisers and advertisement agents, vendors in our e-commerce marketplace, partners of our C2M business, experts and KOLs who contribute content, to a large extent, to generate revenue, sell products, develop our C2M business, produce original content, promote products and attract user visits and activities. We expect to further enhance our collaboration with existing and future business partners. There can be no assurance that we will successfully develop and maintain our relationships with business partners. If we fail to develop or maintain these relationships, we may have to seek alternative ways of promoting our platforms and business and our ability to maintain or grow our business and user activities could be adversely affected.

Certain business partners have significant popularity among users. Our competitors may compete with us in engaging such business partners. This could result in higher commissions paid to the KOLs and experts, lower price charged to advertisers, the loss of business to a competitor, or the loss of certain relationships with business partners, any of which could adversely affect our business and results of operations.

We cannot assure you that our collaboration with Alibaba will be successful.

In May 2018, we received a strategic investment from Alibaba (through its indirect wholly-owned subsidiary, Taobao China) and agreed to commence deep collaboration with Alibaba in the e-commerce, advertising, C2M, content monetization and potentially other businesses. Our strategic investor, Alibaba, is one of the largest Internet companies in the world, and we expect our business to benefit from the collaboration. See “Business—Monetization—Alibaba Collaboration” in this Prospectus. However, we cannot assure you that our collaboration with Alibaba will progress as planned or generate the benefits for us that we anticipate. As with any business collaboration, our collaboration with Alibaba will be subject to uncertainties and challenges as details are implemented. For example, Alibaba will provide certain operational services to our e-commerce business. This will require a period of transition with our existing operations. We cannot assure you that such transition will be successful or will not create undue disruption to our business. Further, we cannot assure you that we will continue to maintain our cooperative relationship with Alibaba in the future. In addition, the financial commitments provided by Alibaba are subject to our meeting minimum user traffic commitments across our platforms, as described in “Business—Monetization—Alibaba

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Collaboration.” The success of our strategic cooperation with Alibaba depends on a number of factors, including, among others, growth of user traffic to meet our commitments to Alibaba. To the extent we cannot successfully implement and maintain our cooperative relationship with Alibaba or we are unable to meet our user traffic commitments, our business, results of operations and prospects may be materially adversely affected.

Our strategic alliances, investments or acquisitions may not be successful.

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

We may also seek further expansion through acquisitions of additional assets, technologies or businesses that are complementary to our existing businesses and investments in third-party companies. However, we may not be able to identify suitable targets of acquisitions or investments. Even if we are presented with appropriate opportunities, future investments or acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. The costs of identifying and consummating investments and acquisitions and the increase in expenses arising from the expansion plan may be significant. We may also incur significant expenses in obtaining necessary approvals from relevant government authorities in China and elsewhere in the world. Our ability to integrate the acquired business may be affected by a variety of factors. These factors include, but are not limited to, the complexity of the business, the risks of operating in new markets, unfamiliarity with new regulatory regimes, differences in corporate cultures, the inability to make use of the personnel of the acquired business, as well as additional hidden costs associated with the cooperation. Acquired assets or businesses may not generate the financial results we expect. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with operating in a rapidly developing and evolving industry.

The industries we focus on evolve rapidly and are subject to continuous technological developments and changing customer demands. Our future success depends on our ability to offer high-quality products and services on a continuing basis, to enhance our existing services, to explore new opportunities for monetization and to introduce new services with features that meet evolving technological developments, user preferences and requirements, all in a timely and cost-effective

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manner. If we do not adapt our services to such changes in an effective and timely manner, we may suffer decreased user traffic, which may result in a decrease in our business and revenue. In addition, if we adopt new technologies which are less proven, and user experience suffers as a result, our users may use our platforms less often. Furthermore, changes in technologies may require substantial investments in product development as well as in modification of products, services or infrastructure. We may not execute our business strategies successfully due to a variety of reasons such as technical hurdles, misunderstanding or erroneous prediction of market demand or lack of necessary resources. Failure to keep up with technological development or the changing requirements of users may have negative impact to our user experience and may result in our offerings and services being less attractive than those provided by our competitors, which in turn may materially and adversely affect our business, results of operations and prospects.

The data collected by us may be inaccurate or unreliable and our business strategies may be misguided as a result.

As an important component of our ability to deliver relevant information to different users, we collect and analyze a vast amount of user data. We rely on certain core bio data in predicting a user's needs. We require users to provide such basic information upon registration. However, some users may have concerns on privacy and may not be willing to provide real information. Users from the same household may enter duplicative data. We do not independently verify the information provided by users when they register. Inaccurate or unreliable data could distort our internal matrices and undermine our ability to deliver a superior experience to our users. It may also adversely affect our business implementation and monetization strategies.

We also use big data analysis in formulating advertising solutions for clients. There is no assurance that there will not be low-quality clicks from users or competitors such as non-human processes, including robots, spiders or other software, the mechanical automation of clicking and other types of invalid clicks or click fraud. Such false information or low-quality traffic may lead to business decisions that do not fit the market as well as inaccurately targeted advertising which may be detrimental to our relationships with advertisers. If any of these occurs, our business, results of operations and financial condition could be adversely affected.

We may not be able to manage our growth and global expansion effectively or achieve growth prospects in the future.

We have experienced rapid growth since we commenced our business. Our total revenue increased from RMB200.0 million in 2015 to RMB509.7 million in 2016 and further to RMB729.6 million in 2017, representing a CAGR of 91.0%. In order to continue to grow our business, we need to continuously enhance and upgrade our infrastructure and technology, improve our operational and financial systems, procedures and controls, and expand, train and manage our growing employee base. In addition, we must maintain and expand our relationships with users and business partners and other third parties. However, due to our limited operating history, we may not be able to manage our expansion effectively because our current infrastructure, systems, procedures and controls may not be adequate to support our expanding operations and our historical growth rate may not be indicative of our future performance. Moreover, our new monetization channels may not contribute to our

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expansion as much as we expect. See “—Our new monetization models may not be successful.” Whether the rapid growth can continue depends on future events and circumstances, some of which are beyond our control. We cannot assure you that we will grow at the same rate as we had in the past.

Furthermore, we plan to explore global markets, through direct expansion, or partnership with local companies or acquisition. However, we have not formulated any detailed plan for overseas expansion. Moreover, there can be no assurance that our success in China can be replicated in overseas markets. Overseas operations can expose us to a number of risks, such as increased costs associated with maintaining the ability to understand the overseas markets and anticipate their future trends, difficulties and increased costs relating to compliance with different commercial and legal requirements in overseas markets and market entry barriers, such as strong local competitors that may have a proximity advantage and local connections, which may prevent us from competing effectively. If any of the risks described above materialize, or if we are unable to manage these risks effectively, our ability to manage our overseas expansion would be undermined, which may in turn materially and adversely affect our business and prospects.

Changes in Internet search engine algorithms and dynamics, or search engine disintermediation, could have a negative impact on traffic for our sites and ultimately, our business and results of operations.

Historically, we derived some user traffic from Internet search engines, principally through free, or organic, search. Pricing and operating dynamics for these traffic sources can change rapidly, both technically and competitively. Search engines frequently update and change the logic that determines the placement and display of results of a user’s search, such that the purchased or algorithmic placement of links to our websites can be negatively affected. In addition, a search engine could, for competitive or other purposes, alter its search algorithms or results causing our websites to place lower in organic search query results. If a major search engine changes its algorithms in a manner that negatively affects the search engine ranking of our websites or those of our partners, or if competitive dynamics impact the cost or effectiveness of SEO or SEM in a negative manner, our business and financial performance would be adversely affected. For example, in the second half of 2017, we believe that a change in the search algorithms by a leading search engine in China negatively affected our user traffic on PC and WAP. Our average MAUs on PC and WAP decreased from 122.3 million in 2017 to 72.8 million in the six months ended June 30, 2018.

In addition, to the extent that leading search or metasearch engines that have a significant presence in our key markets disintermediate our competitors, such as other baby or parenting products suppliers, whether by offering their own shopping capabilities, or by referring leads to suppliers, other favored partners or themselves directly, there could be a material adverse impact on our business and financial performance. To the extent these actions have a negative effect on search results and traffic to our site, our business and financial performance could be adversely affected.

We also rely on application marketplaces, such as Apple’s *App Store* and Google’s *Google Play*, to drive downloads of our mobile apps. In the future, Apple, Google or other marketplace operators may make changes to their marketplaces that make access to our products more difficult. For example,

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our applications may receive unfavorable treatment compared to the promotion and placement of competing applications, such as the order in which they appear within marketplaces. Similarly, if problems arise in our relationships with providers of application marketplaces, traffic to our site and our user growth could be harmed.

Certain of our user metrics are subject to inherent challenges in measurement, and actual or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

The numbers of our MAUs are tracked through the data services provided by third-party data tracking companies and by ourselves internally. While we have a separate data tracking system to generate operating numbers for reference, we have not independently verified data generated by third parties. Certain other operating data, such as various forms of UGC and PGC available on our platforms, are calculated using our internal data that have not been independently verified by third parties. While these numbers are based on what we believe to be reasonable calculations and assumptions for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user's IP address and self-disclosed location. These factors may not always accurately reflect the user's actual location. If advertisers or investors do not perceive our user metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and advertisers and developers may be less willing to allocate their budgets or resources to us, which could negatively affect our business and financial results.

The Internet business is highly regulated in China, and our failure to obtain and maintain requisite approvals, licenses or permits applicable to our business or any changes in government policies or regulations, including changes in data protection, privacy and unfair competition laws, may have a material and adverse impact on our business, financial condition and operational results.

The PRC government regulates the Internet industry extensively, including foreign ownership of, and the licensing requirements pertaining to, companies in the Internet industry. A number of regulatory authorities, such as MOFCOM, MOCT, MIIT, SART, CAC and MPS, oversee different aspects of the Internet industry. These governmental authorities together promulgate and enforce laws and regulations that cover many aspects of the telecommunications, Internet information services, Internet publishing industries and online audio-visual products services, including entry into such industries, scope of permitted business activities, licenses and permits for various business activities, foreign investments into such industries, information security and privacy protection. Operators are required to obtain various government approvals, licenses and permits in connection with their provision of Internet information services, Internet publication services, online audio-visual products and other related value-added telecommunications services. In addition, operators are required to comply with laws and regulations and fulfill their obligations to safeguard network security when conducting business and providing services.

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We cannot assure you that we have obtained or applied for all the permits and licenses required for conducting our business in China or will be able to maintain our existing permits and licenses or obtain any new permits and licenses if required by any future laws or regulations. For detailed discussion of certain licenses and permits relevant to our business, see the section headed “Business—Licenses and Permits” in this Prospectus. As of the Latest Practicable Date, we were in the process of applying for, amending or renewing certain licenses in order to carry out or continue certain businesses. If we fail to obtain, renew, amend or maintain approvals, licenses or permits required for our business, we could be subject to liabilities, penalties and operational disruption and our business could be materially and adversely affected. We may also be liable for fines or a penalty of confiscating illegal gains. See the sections headed “Business—Legal Proceedings and Compliance” and “Business—Licenses and Permits” in this Prospectus for further details.

We rely on a third party’s license to upload audio and video content and any deterioration of our relationship may materially and adversely affect our operations.

We believe our vast and growing content library is our key asset. A significant portion of our existing content is in audio form. In addition, we plan to further expand our content library in diversified forms, including video. Under relevant PRC laws and regulations, we are required to obtain a license in order to upload audio and video content to the Internet. In May 2018, we entered into a cooperative agreement with a third party which holds a valid license. Under the agreement, we pay an agreed fee for such third party to publish audio and video content we provide from time to time. However, since such third party remains to be the holder of the license, we cannot assure you that it will not violate any law or regulation that may result in the revocation or termination of the license. Moreover, we cannot assure you that we will be able to maintain our cooperative relationship with such third party in a manner to ensure our ongoing reliance on the license. If our relationship deteriorates, we may not be able to upload any audio or video content under such cooperative relationship, or find a substitute on commercially reasonable terms, if at all, in which case our business, results of operations, financial condition and prospects may be materially and adversely affected.

If we are unable to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.

We rely on and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, copyright and domain name protection laws, to protect our proprietary rights. We have filed various applications in China for protection of certain aspects of our intellectual property, and we currently hold a number of trademarks, copyrights and domain names. In addition, in the future we may acquire additional patents, which could require significant cash expenditures. However, third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every jurisdiction in which we operate or intend to operate our business. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. During the Track Record Period, some of our trademarks were registered maliciously by a third party. Although we have taken measures to protect our proprietary rights, there can be no assurance

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that our claims will be favored and we may lose the proprietary rights of such trademarks, which could have a material adverse effect on our business and operations. Moreover, there can be no assurance that we will not be subject to similar infringements in the future. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our service and methods of operations. Any of these events could have an adverse effect on our business and financial results.

Our inability to use software licensed from third parties, including open source software, could negatively affect our operations and subject us to possible litigation.

Our platforms incorporate software licensed from third parties, including open source software, which we have been authorized to use. The terms of many open source licenses to which we are subject have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide our solutions to our customers. In addition, the terms of open source software licenses may require us to provide software that we develop using such software to others on unfavorable license terms. For example, certain open source licenses may require us to offer the components of our platform that incorporate the open source software for free, to make available source code for modifications or derivative works we create based upon, incorporating or using the open source software, and to license such modifications or derivative works under the terms of the particular open source license.

In the future, we could be required to seek licenses from third parties in order to continue using such open source software, in which case licenses may not be available on terms that are acceptable to us, or at all. Alternatively, we may need to re-engineer our platform or discontinue the use of portions of the functionality provided by our platforms. Our inability to use third-party software could result in disruptions to our business, or delays in the development of future offerings or enhancements of our existing platforms, which could materially and adversely affect our business and results of operations.

We may be subject to intellectual property right infringements, which, if resolved adversely, could have a significant impact on our business, financial condition, or results of operations.

As we engage in the Internet industry, we may from time to time be subject to infringement, misappropriation or other violations of intellectual property or other rights. Furthermore, content uploaded by our users or advertisements uploaded by our advertising partners may also infringe intellectual property rights of third parties, for which we may be held liable.

We may also be involved in intellectual property litigation. Particularly, defending intellectual property litigation is costly and can impose a significant burden on management and employees, and there can be no assurance that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial

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amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative non-infringing technology or practices could require significant effort and expense or may not be feasible. Our business, financial condition, or results of operations could be adversely affected as a result of an unfavorable resolution of the disputes and litigation referred to above.

If online advertising does not continue to grow in China, our ability to increase revenue and profitability could be materially and adversely affected.

The use of the Internet as a marketing medium is still under development in China. As of December 31, 2017, the Internet penetration rate in China, expressed as the number of Internet users over the size of the Chinese population, was 55.8%, according to F&S. The expansion of China's Internet population may be limited by a number of factors, including limitations on network infrastructure and social and political uncertainties, among others.

Our current and potential advertisers may have limited experience with the Internet as a marketing medium and may not consider the Internet an effective medium to promote as compared to traditional print and broadcast media. Our ability to increase revenue and profitability from advertising may be adversely impacted by a number of factors, many of which are beyond our control, such as increased competition and potential downward pressure on online advertising prices and difficulties in acquiring and retaining advertisers.

If the Internet does not become more widely accepted as a media platform for advertising and marketing, our business, financial position and results of operations could be adversely affected.

We may be subject to liability for advertisements placed on our platforms.

The PRC government has adopted regulations governing advertising content over the Internet. Under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platforms to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. See "Regulatory Overview—Laws and Regulations in Relation to Advertising Services" in this Prospectus. We display advertisements on our platforms. Failure to identify and prevent illegal or inappropriate advertisement content from being displayed on or through our websites may subject us to liability. We cannot assure you that all of the advertisements shown or posted on our websites adhere to the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations.

If PRC regulatory authorities determine that any advertisements displayed on our websites do not adhere to applicable laws and regulations, they may require us to limit or eliminate the dissemination or availability of such advertisements on our websites in the form of take-down orders or otherwise.

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Such regulatory authorities may also impose penalties on us, including fines, confiscation of advertising income or, in circumstances involving more serious violations by us, the termination of our advertising license, any of which would materially and adversely affect our business and results of operations.

In addition, we may be subject to claims by consumers asserting that the advertisements on our websites are misleading, and we may not be able to recover our losses from advertisers. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We may face liabilities for inappropriate or illegal content uploaded by users and information displayed on, retrieved from or linked to our websites.

The PRC government has adopted regulations governing Internet access and the distribution of information over the Internet. Under the Internet security regulations, Internet content providers and Internet publishers are prohibited from posting or displaying over the Internet content that, among other things, compromises national security, harms the dignity or interests of the state, incites ethnic hatred or racial discrimination, undermines the PRC's religious policy, disturbs social order, disseminates obscenity or pornography, encourages gambling, violence, murder or fear, incites the commission of a crime, infringes upon the lawful rights and interests of a third party, or is otherwise prohibited by law or administrative regulations. See "Regulatory Overview—Laws and Regulations in Relation to Information Security and Privacy Protection" in this Prospectus. As advised by our PRC Legal Advisors, if PRC regulatory authorities determine that any content displayed on our websites does not adhere to applicable laws and regulations, they may require us to limit or eliminate the dissemination or availability of such content on our websites in the form of take-down orders or otherwise. Such regulatory authorities may also impose penalties on us, including fines, confiscation of income or, in circumstances involving more serious violations by us, the termination of our Internet content license, any of which would materially and adversely affect our business and results of operations.

Subject to our content monitoring process, our registered users can upload to our mobile apps and websites various types of content, such as updating user profiles, posting articles or answering questions. We require our users to confirm before registration that the content to be uploaded is in compliance with PRC laws and regulations and does not infringe other parties' legal rights, including copyright, and to indemnify us against all damages arising from third-party claims against us resulting from such uploaded or linked content. In addition, we have adopted and implemented strict internal procedures aiming to ensure that no prohibited or pirated content is displayed on our platform. We also have a dedicated content monitoring team which is responsible for monitoring and preventing the public release of inappropriate or illegal content, including UGC, on our mobile apps and website. However, given the large user base we have, we may not be able to fully control the content uploaded by our users. As most of our users are individuals, they may not be able to fully indemnify us for all damages, including regulatory penalties or third-party claims, caused by the content they uploaded. Moreover, because the definition and interpretation of prohibited content are in many cases vague and subjective, it is not always possible to determine or predict what content might be prohibited under existing restrictions or restrictions that might be imposed in the future. Failure to identify and prevent illegal or inappropriate content from being displayed on our platform may subject us to severe sanctions and penalties.

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We are exposed to credit risks.

We are exposed to credit risks attributable to our trade and other receivables due from advertising customers. Such exposure depends on our individual customers' past history of making payments when due and current ability to pay, among other things. Our trade receivables are due within 30 to 90 days from the date of billing or within 60 to 120 days from the posting of the related ads. Normally, our trade and other receivables are not secured.

Moreover, a significant portion of our revenue is attributable to a limited number of customers. As of December 31, 2015, 2016 and 2017 and June 30, 2018, 47.1%, 43.1%, 49.0% and 44.2%, respectively, of our total trade receivables was due from our five largest customers. As a result, we are exposed to heightened credit concentration risks. Our results of operations and financial condition may be materially and adversely affected if a significant portion of our trade and other receivables are overdue.

Uncertainties relating to the growth and profitability of the retail industry in China in general, and the e-commerce industry in particular, could adversely affect our revenues and business prospects.

While e-commerce has existed in China since the 2000s, only in recent years have certain large e-commerce companies become profitable. The long-term viability and prospects of various e-commerce business models in China remain relatively untested. Our e-commerce business will depend on numerous factors affecting the development of the e-commerce industry in China, which may be beyond our control. These factors include:

- the growth of Internet, broadband, personal computer and mobile penetration and usage in China, and the rate of any such growth;
- the trust and confidence level of e-commerce consumers in China, as well as changes in customer demographics and consumer tastes and preferences;
- the selection, price and popularity of products that we and our competitors offer online;
- whether alternative retail channels or business models that better address the needs of consumers emerge in China; and
- the development of fulfillment, payment and other ancillary services associated with online purchases.

A decline in the popularity of online shopping in general, or any failure by us to adapt our e-commerce business and improve the online shopping experience of our customers in response to trends and consumer requirements, may adversely affect our revenue and business prospects.

Furthermore, the retail industry is very sensitive to macroeconomic changes, and retail purchases tend to decline during recessionary periods. Many factors outside of our control, including inflation and deflation, volatility of stock and property markets, interest rates, tax rates and other government

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policies and unemployment rates can adversely affect consumer confidence and spending, which could in turn materially and adversely affect our growth and profitability. Unfavorable developments in domestic and international politics, including military conflicts, political turmoil and social instability, may also adversely affect consumer confidence and reduce spending, which could in turn materially and adversely affect our growth and profitability.

If we are unable to provide superior customer experience, our e-commerce business and reputation may be materially and adversely affected.

The success of our e-commerce business hinges on our ability to provide superior customer experience, which in turn depends on a variety of factors. These factors include our ability to continue to offer authentic products at acceptable prices, source products to respond to customer demands, maintain the quality of our products and services, and provide timely and reliable delivery, flexible payment options and superior after-sales service.

We rely on contracted third-party couriers to deliver our products. Interruptions or failures in our delivery services could prevent the timely or successful delivery of our products. These interruptions may be due to unforeseen events that are beyond our control or the control of our third-party couriers, such as inclement weather, natural disasters, transportation disruptions or labor unrest. If our products are not delivered on time or are delivered in a damaged state, customers may refuse to accept our products and have less confidence in our services. Furthermore, the delivery personnel of contracted third-party couriers act on our behalf and interact with our customers personally. We maintain cooperation arrangements with a number of third-party couriers to deliver our products to our customers, and we need to effectively manage these third-party service providers to ensure the quality of customer services. We have in the past received customer complaints from time to time regarding our delivery, return and exchange services. Any failure to provide high-quality delivery services to our customers may negatively impact the shopping experience of our customers, damage our reputation and cause us to lose customers.

Customers can access our sales and after-sales service hotlines via phone or online representatives via *WeChat* or email. We had 115 customer service representatives as of June 30, 2018. We may further increase headcount at our customer service centers, and there is no assurance that we will be able to provide sufficient training to new employees to meet our standards of customer service or that an influx of less experienced personnel will not dilute the quality of our customer service. If our customer service representatives fail to provide satisfactory service, or if waiting times are too long due to the high volume of calls from customers at peak times, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brand and reputation and in turn cause us to lose customers and market share.

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If we are unable to offer products that attract new customers and new purchases from existing customers, our e-commerce business, financial condition and results of operations may be materially and adversely affected.

The future growth of our e-commerce business depends on our ability to continue to attract new customers as well as new purchases from existing customers. Constantly changing consumer preferences have affected and will continue to affect the e-commerce industry. We must stay abreast of emerging consumer preferences and anticipate product trends that will appeal to existing and potential customers. We make recommendations to customers based on their past purchases or on products that they viewed but did not purchase, and we also send e-mails to our customers with product recommendations tailored to their purchase profile. Our ability to make individually tailored recommendations is dependent on our big data analysis system, which tracks, collects and analyzes our users' browsing and purchasing behavior, to provide accurate and reliable information. If our customers cannot find their desired products on our platform at attractive prices, they may lose interest in us and visit us less frequently or even stop visiting us altogether, which in turn may materially and adversely affect our business, financial condition and results of operations.

We rely on M&C products for a substantial portion of our revenue from e-commerce segment, and expansion of our product categories may expose us to new challenges and more risks.

Since the beginning of our e-commerce business in 2015, we have focused on selling M&C products, especially paper diapers and baby formula. We expect that sales of M&C products will continue to represent a substantial portion of our total revenue from e-commerce segment in the near future. We have increased our offerings to include other product categories, such as apparels and cosmetics. However, our sales of these new products may not increase to a level that would substantially reduce our dependence on online sales of M&C products. We face intense competition from other e-commerce operators and from brick and mortar stores that are moving into the online space. Any event that results in a reduction in our sales of M&C products could materially and adversely affect our ability to maintain or increase our current level of net revenue and business prospects.

Expansion into new product categories involves new risks and challenges. Our lack of familiarity with these products and lack of relevant customer data relating to these products may make it more difficult for us to keep pace with evolving customer demands and preferences. If we cannot successfully address new challenges and compete effectively, we may not be able to recover costs of our investments and eventually achieve profitability, and our future results of operations and growth prospects may be materially and adversely affected.

Our results of operations are subject to seasonal fluctuations.

We experience seasonality in our business, reflecting a combination of traditional retail seasonality patterns and new patterns associated with e-commerce in particular. For example, we generally experience less user traffic and purchase orders during national holidays in China, particularly during the Chinese New Year holiday season in the first quarter of each year. Furthermore, sales in the fourth quarter of each calendar year are significantly higher than in the preceding three quarters, primarily as a result of special promotional campaigns held in the fourth quarter of each year,

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such as the Singles Day promotions. Overall, the historical seasonality of our business has been relatively mild due to the rapid growth we have experienced and may increase further in the future. Our financial condition and results of operations for future periods may continue to fluctuate. As a result, the trading price of our Shares may fluctuate from time to time due to seasonality.

If we fail to manage and expand our relationships with suppliers, or otherwise fail to procure products at favorable terms, our business and growth prospects may suffer.

We source products from third-party suppliers for our online direct sales. We had approximately 62 suppliers for the six months ended June 30, 2018. Our suppliers include primarily product manufacturers. Maintaining strong relationships with these suppliers is important to the growth of our e-commerce business. In particular, we depend significantly on our ability to procure products directly from suppliers of quality merchandise and on favorable pricing terms. We typically enter into one-year framework agreements with suppliers, and these framework agreements do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with suppliers typically do not restrict the suppliers from selling products to other buyers. We cannot assure you that our current suppliers will continue to sell products to us on commercially acceptable terms, or at all, after the term of the current agreement expires. Even if we maintain good relationships with our suppliers, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, natural disasters or other causes. In the event that we are not able to purchase merchandise at favorable prices, our revenues and cost of revenues may be materially and adversely affected. In the event any distributor does not have authority from the relevant manufacturer to sell certain products to us, such distributor may cease selling such products to us at any time. If our suppliers cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected. We will also need to establish new supplier relationships to ensure that we have access to a steady supply of products on favorable commercial terms. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of authentic and quality merchandise on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our customers, or to offer these products at competitive prices. Any adverse developments in our relationships with suppliers could materially and adversely affect our business and growth prospects. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new suppliers to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

Our online marketplace is subject to risks associated with third-party vendors.

We launched our online marketplace in October 2014. As of June 30, 2018, there were 2,049 third-party vendors on our online marketplace. We do not have as much control over the storage and delivery of products sold on our online marketplace as we do over the products that we sell directly ourselves. Our third-party vendors use their own facilities to store their products, and many of them use their own or third-party delivery systems to deliver their products to our customers, which makes it more difficult for us to ensure that our customers get the same high quality service for all products sold on our website. If any third-party seller does not control the quality of the products that it sells on our website, or if it does not deliver the products or delivers them late or delivers products that

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are materially different from its description of them, or if it sells counterfeit or unlicensed products on our website, or if it sells certain products without licenses or permits as required by the relevant laws and regulations even though we have requested such licenses or permits in our standard form contract with the third-party seller, the reputation of our online marketplace and our *Babytree* brand may be materially and adversely affected and we could face claims that we should be held liable for any losses. Moreover, despite our efforts to prevent it, some products sold on our online marketplace may compete with the products we sell directly, which may cannibalize our online direct sales. In addition, the supplier relationships, customer acquisition dynamics and other requirements for our online marketplace may not be the same as those for our online direct sales operations, which may complicate the management of our business. In order for our online marketplace to be successful, we must continue to identify and attract third-party sellers, and we may not be successful in this regard.

If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our direct sale e-commerce business requires us to manage inventory effectively. We depend on our forecasts of demand for and popularity of various products to make purchase decisions and to manage our inventory of SKUs. Demand for products, however, can change significantly between the time inventory is ordered and the date of sale. Demand may be affected by seasonality, new product launches, rapid changes in product cycles and pricing, product defects, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors. Our customers may not order products in the quantities that we expect. It may be difficult to accurately forecast demand. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had provision for inventory of RMB0.6 million, RMB1.9 million, RMB9.0 million and RMB8.1 million, respectively. Some of the products for online direct sales are procured from offshore suppliers, and we generally do not have the right to return unsold items.

If we fail to manage our inventory effectively or negotiate favorable credit terms with third-party suppliers, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. Any of the above may materially and adversely affect our results of operations and financial condition.

If we are not able to manage our fulfillment network successfully, our business and results of operations may be materially and adversely affected.

We depend on our fulfillment network, currently consisting of strategically located warehouses in Beijing, Shanghai and Ningbo, for the direct sales of our e-commerce business. We cannot assure you that we will be able to lease facilities suitable to our needs on commercially acceptable terms or at all. We may not be able to recruit a sufficient number of qualified employees with regards to our fulfillment network. If we fail to manage our fulfillment network successfully, our business and results of operations may be materially and adversely affected.

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We use third-party couriers to deliver orders. If these couriers fail to provide reliable delivery services, our business and reputation may be materially and adversely affected.

We maintain cooperation arrangements with a number of third-party couriers to deliver our products to our customers. Third-party vendors on our *Meitun Mama* platform also rely on third-party couriers to deliver their products to customers. Interruptions to or failures in these third parties' delivery services could prevent the timely or proper delivery of our products to customers. These interruptions may be due to events that are beyond our control or the control of these delivery companies, such as inclement weather, natural disasters, transportation disruptions or labor unrest. In addition, if our third-party couriers fail to comply with applicable rules and regulations in China, our delivery services may be materially and adversely affected. We may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. Delivery of our products could also be affected or interrupted by the merger, acquisition, insolvency or government shut-down of the delivery companies we engage to make deliveries, especially those local companies with relatively small business scales. If our products are not delivered in proper condition or on a timely basis, our business and reputation could suffer.

We may incur liability or become subject to administrative penalties or product liability for counterfeit or unauthorized products sold on our website.

We sourced our products from approximately 62 suppliers for the six months ended June 30, 2018. Third-party sellers on our online marketplace are separately responsible for sourcing the products they sell on our website. As of June 30, 2018, we had 2,049 third-party vendors on our online marketplace. Although we have adopted measures to verify the authenticity and authorization of products sold on our website and avoid potential infringement of third-party intellectual property rights in the course of sourcing and selling products, we may not always be successful.

In the event that counterfeit, unauthorized or infringing products are sold on our website, we could face claims, such as product liability claims, that we should be held liable. Potential sanctions under PRC law if we were to knowingly assist in infringement activities associated with counterfeit goods include injunctions to cease infringing activities, product recalls, rectification, compensation, administrative penalties and even criminal liability, depending on the gravity of such misconduct. Furthermore, counterfeit products may be defective or inferior in quality as compared to authentic products and may pose safety risks to our customers. Given the nature of M&C products, the consequences of counterfeit products may be particularly severe. If our customers are injured by counterfeit products sold on our e-commerce platform, we may be subject to lawsuits, severe administrative penalties and criminal liability. We believe our brand and reputation are extremely important to our success and our competitive position. The discovery of counterfeit products sold on our e-commerce platform may severely damage our reputation and cause customers to refrain from making future purchases from us, which would materially and adversely affect our business operations and financial results. We may receive claims alleging our infringement of third parties' rights. Irrespective of the validity of such claims, we could incur significant costs and efforts in either defending against or settling such claims. Any of these events could have a material and adverse effect on our business, results of operations or financial condition.

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Under our standard form agreements, we require suppliers or third-party sellers to indemnify us for any losses we suffer or any costs that we incur due to any products we source from these suppliers or any products sold by these third-party sellers. However, not all of our agreements with suppliers and third-party sellers have such terms, and for those agreements that have such terms, we may not be able to successfully enforce our contractual rights and may need to initiate costly and lengthy legal proceedings in China to protect our rights. In addition, we do not currently maintain any third-party liability insurance or product liability insurance in relation to products we sell. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

Moreover, we work with certain manufacturers on our C2M products, some of which carry the marketing name *Babytree Custom-made* (寶寶樹專定). Such products may be defectively designed or manufactured. As a result, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us. Although we would have legal recourse against the manufacturer of such products under PRC law, attempting to enforce our rights against the manufacturer may be expensive, time-consuming and ultimately futile. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, since such products carry our brand name, our reputation may be materially and adversely damaged by any such claims brought against us.

The wide variety of payment methods that we accept subjects us to third-party payment processing-related risks.

We accept payments using a variety of methods, including online payments with credit cards and debit cards issued by major banks in China and payment through third-party online payment platforms such as *Alipay* and *WeChat Pay*. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

Our delivery, return and exchange policies may adversely affect our results of operations.

We have adopted shipping policies that do not necessarily pass the full cost of shipping on to our customers. We also have adopted customer-friendly return and exchange policies that make it convenient and easy for customers to change their minds after completing purchases. We may also be required by law to adopt new or amend existing return and exchange policies from time to time. For example, pursuant to the Administrative Measures on Online Transactions consumers are generally

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entitled to return the products purchased within seven days upon receipt without giving any reasons when they purchase the products from business operators on the Internet, subject to certain exceptions. See “Regulatory Overview—Laws and Regulations in Relation to Online Transactions.” These policies improve customers’ shopping experience and promote customer loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue. Our ability to handle a large volume of returns is unproven. If our return and exchange policy is misused by a significant number of customers, our costs may increase significantly and our results of operations may be materially and adversely affected. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

We may face additional regulatory and reputational risks if we are perceived as providing medical advice, and become subject to medical liability claims.

As the health industry is monitored closely by the PRC government, our operations are limited in many ways. Although we have taken various measures to ensure that no medical advice is provided on our platforms, there is no assurance that the health- or medical-related content available on our platforms provided by our engaged experts will not be regarded as medical advice by relevant authorities. Some users may have expectations that the content they obtain from our platforms, especial knowledge content they may have paid for, will achieve particular effects. We face risks of medical liability claims against our in-house editorial team, external experts and us if users claim that such information is not as effective or accurate as they expect or has even led to harmful consequences. We do not carry medical malpractice insurance. Even if we do, we may still face medical liability claims that could result in substantial damage awards that may exceed the limits of our insurance coverage. We also do not carry professional liability insurance for our in-house editorial team and external experts in relation to the provision of health content on our platforms, and adequate professional liability insurance may not be available to us in the future on commercially acceptable terms, or at all. Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us and divert the attention of our management team and external experts from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

If we are unable to conduct our marketing activities cost-effectively, our results of operations and financial condition may be materially and adversely affected.

We have incurred certain expenses on a variety of different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products. Our brand promotion and marketing activities may not be well received by customers and may not result in the levels of product sales that we anticipate. We incurred RMB126.3 million, RMB38.0 million, RMB30.0 million, RMB10.3 million and RMB16.4 million, respectively, of marketing expenses during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and the six months ended June 30, 2018, respectively. Marketing approaches and tools in the consumer products market in China are evolving. This further requires us to enhance our marketing approaches

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and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share, cause our net revenues to decline and negatively impact our profitability.

Our reliance on and potential disputes with our cooperation partners may negatively affect our business and prospects.

We have engaged and are planning to engage in certain businesses jointly with other entities through joint ventures or cooperation agreements. Our cooperation partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements; or
- have financial difficulties.

Additionally, any disagreement with any of our cooperation partners in connection with the negotiation and finalization of our cooperation agreement, the scope or performance of our respective obligations under the cooperation arrangement could affect our ability to develop or operate a business. Our cooperation partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions, whether as a result of financial difficulties or otherwise. A serious dispute with our cooperation partners, the early termination of our cooperation arrangements or the failure of planned cooperation agreements to materialize could adversely affect our business, financial condition and results of operations.

The resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. In the event that we encounter any of the foregoing problems with respect to our cooperation partners, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to fair value changes for equity securities (financial assets) and financial instruments with preferred rights as well as valuation uncertainties.

In 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, the fair value change of financial liabilities at fair value through profit or loss was RMB112.5 million, RMB927.3 million, RMB1,049.9 million, RMB477.1 million and RMB2,297.3 million, respectively. Primarily due to the impact of fair value change of financial liabilities at fair value through profit or loss, we incurred a net loss of RMB286.4 million, RMB934.5 million, RMB911.1 million RMB388.0 million and RMB2,175.0 million for the same periods. Therefore, our results of operations were and may be materially affected by fair value change of financial liabilities at fair value through profit or loss.

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The carrying amount of equity securities was measured at fair value in the consolidated statements of financial position as of December 31, 2015, 2016 and 2017 and June 30, 2018. Our equity securities are mainly investments in unlisted companies. We determine the fair value of equity securities by reference to the recent transaction pricing for the entities or similar transactions in similar entities in the same industry. We adopt an equity allocation model to estimate the fair value of convertible loans and financial instruments with preferred rights as of December 31, 2015, 2016 and 2017 and June 30, 2018. We need to make significant estimates on assumptions, such as the discount rate, risk-free interest rate, expected volatility and Listing Date, in applying the equity allocation model. Therefore, the valuation of our equity securities, convertible loans and financial instruments with preferred rights is subject to uncertainties.

Computer malware, viruses, hacking and phishing attacks and spamming could harm our business and results of operations.

Computer malware, viruses, hacking and phishing attacks have become more prevalent in our industry, have occurred on our systems in the past, and may occur on our systems in the future. Because of our prominence, we believe that we are a particularly attractive target for such attacks. Due to the sensitive nature of the user data we possess, the consequences of any breach may be particularly severe. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any data breach or any failure to maintain performance, reliability, security and availability of our products and technical infrastructure to the satisfaction of our users may significantly harm our reputation and our ability to retain existing users and attract new users.

In addition, spammers attempt to use our products to send targeted and untargeted spam messages to users, which may embarrass or annoy users and make our platform less user-friendly. We cannot be certain that the technologies and employees that we have to attempt to defeat spamming attacks will be able to eliminate all spam messages from being sent on our platform. As a result of spamming activities, our users may use our products less often or stop using our products altogether.

Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in our service could damage our reputation, result in a potential loss of users and engagement, and adversely affect our financial results.

Our reputation and ability to attract, retain, and serve our users is dependent upon the reliable performance of our underlying technical infrastructure. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our platforms are unavailable when users attempt to access them, or if it does not load as quickly as they expect, users may not return to our website as often in the future, or at all. As our user base and the amount and types of information on our platform continue to grow, we will need an increasing amount of technical infrastructure, including network capacity, and computing power, to continue to satisfy the needs of our users. It is possible that we may fail to effectively scale and grow our technical infrastructure to accommodate these increased demands. In addition, our business is subject to interruptions, delays, or failures resulting from earthquakes, other natural disasters, terrorism, or other catastrophic events.

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Some of our network infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic and could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

The proper functioning of our technology platform is essential to our business, and any failure to maintain the satisfactory performance of our website and systems could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and availability of our technology platform are critical to our success and our ability to attract and retain customers and provide quality customer service. Substantially all of our products are available online through our website and mobile applications. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our website or reduced order fulfillment performance could reduce the volume of products sold and the attractiveness of product offerings on our website.

Additionally, we must continue to upgrade and improve our technology platform to support our business growth, and failure to do so could impede our growth. However, we cannot assure you that we will be successful in executing these system upgrades and improvement strategies. In particular, our systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. In addition, we experience surges in online traffic and orders associated with promotional activities and holiday seasons, such as the “Singles’ Day” on November 11, which can put additional demands on our technology platform at specific times. If our existing or future technology platform does not function properly, it could cause system disruptions and slow response times, affecting data transmission, which in turn could materially and adversely affect our business, financial condition and results of operations.

Any deficiencies in China’s Internet infrastructure could impair our ability to operate over our website and mobile applications, which could cause us to lose users and harm our operating results.

Our business depends on the performance and reliability of the Internet infrastructure in China. The availability of our mobile apps and websites depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide our services to our customers could be adversely affected. Almost all access to the Internet in China is maintained through state-owned telecommunication carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and Internet service providers to give customers access to our website. We may experience service interruptions, which were typically caused by service interruptions at the underlying external telecommunications service providers, such as the Internet

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data centers and broadband carriers from which we lease services. Service interruptions prevent consumers from accessing our website and mobile applications, and frequent interruptions could frustrate customers and discourage them from attempting to access our website and mobile applications, which could cause us to lose customers and harm our operating results.

If we fail to successfully adapt our mobile apps and websites to user requirements or emerging industry standards, our business, prospects and financial results may be materially and adversely affected.

In recent years, mobile devices, such as mobile phones, tablets, wearable devices and other Internet-enabled mobile devices, are used increasingly in China. Mobile devices have surpassed personal computers as the primary means to access the Internet in China. We expect this trend to continue while 4G and more advanced mobile communication technologies are broadly implemented. As we make our services available across a variety of mobile operating systems and devices, we are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. Any changes in such mobile operating systems or devices that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. Further, if the number of platforms for which we develop our services increases, which is typically seen in a dynamic and fragmented mobile services market such as China, it will result in an increase in our costs and expenses. In order to deliver high quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. For our business to be successful, we will need to design, develop, promote and operate new products that will be compatible and popular with such devices. Despite the agreements or arrangements we have entered into with the mobile devices manufacturers, we may encounter difficulties with the installation of such new products for those mobile devices, and such products may not function smoothly. As new devices are released or updated, we may encounter problems in developing and upgrading our products for use on mobile devices and we may need to devote significant resources to the creation, support and maintenance of such products for mobile devices, and we may not be successful in doing so.

User growth and activity on mobile devices depend upon effective use of mobile operating systems, networks and standards that we do not control.

Use of mobile devices by consumers generally, and by our users specifically, has increased significantly, and we expect this trend to continue. To optimize user experience, we are, to a large extent, dependent on our users downloading our specific mobile applications for their particular devices as opposed to accessing our sites from an Internet browser on their mobile device. As new mobile devices and platforms are released, it is difficult to predict the problems we may encounter in developing applications for these alternative devices and platforms, and we may need to devote significant resources to the development, support and maintenance of such applications. In addition, our future growth and our results of operations could suffer if we experience difficulties in the future in integrating our mobile applications into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile application download stores, if our applications receive unfavorable treatment compared to competing applications on the download stores, or if we face increased costs to distribute or have users use our mobile applications. We are further dependent on the interoperability of our sites with popular mobile operating systems that we do not control, such

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as iOS and Android, and any changes in such systems that degrade the functionality of our sites or give preferential treatment to competitive products could adversely affect the usage of our sites on mobile devices. In the event that it is more difficult for our users to access and use our sites on their mobile devices, or if our users choose not to access or to use our sites on their mobile devices or to use mobile products that do not offer access to our sites, our user growth could be harmed and our business, financial condition and operating results may be adversely affected.

Mr. Wang, our largest shareholder, has had and will continue to have strong influence over the outcome of shareholder actions in our Company and the interests of Mr. Wang may not be aligned with the interests of our other shareholders.

Mr. Wang will continue to be our largest shareholder immediately after the completion of the Global Offering. Mr. Wang's voting power gives him strong influence over actions that require shareholder approval under Cayman Islands law, our Articles of Association and HKIAC requirements, including approval of mergers and other business combinations, changes to our Articles of Association, the number of shares available for issuance under any share incentive plans, and the issuance of significant amounts of our ordinary shares in private placements.

Mr. Wang's voting power may cause transactions to occur that might not be beneficial to you as a holder of the Shares and may prevent transactions that would be beneficial to you. For example, Mr. Wang's voting power may prevent a transaction involving a change of control of us, including transactions in which you as a holder of the Shares might otherwise receive a premium for your securities over the then-current market price. In addition, Mr. Wang is not prohibited from selling the controlling interest in us to a third party and may do so without your approval and without providing for a purchase of your Shares. If Mr. Wang is acquired or otherwise undergoes a change of control, any acquirer or successor will be entitled to exercise the voting power and contractual rights of Mr. Wang, and may do so in a manner that could vary significantly from that of Mr. Wang. In addition, the significant concentration of share ownership may adversely affect the trading price of the shares due to investors' perception that conflict of interest may exist or arise.

We may not be able to recruit and retain sufficient qualified personnel to support our operations and growth.

Our future success depends on the continued service of our key executive officers and other key employees. We also rely on a number of key technology staff for the development and operation of our business. In addition, we will need to continue attracting and retaining skilled and experienced staff, such as our in-house editorial team, for our businesses to maintain our competitiveness.

If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel, our business could be severely disrupted, and our business, financial condition and results of operations could be materially and adversely affected. In addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, suppliers and customers. Substantially all of our employees, including each of our executive officers and key employees, have entered into employment agreements with us, which contains customary non-compete provisions. Although non-compete provisions are generally

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enforceable under PRC laws, PRC legal practice regarding the enforceability of such provisions is not as well-developed as in countries such as the United States. Thus, if we need to enforce our rights under the non-compete provisions, we cannot assure you that a PRC court would enforce such provisions. If we lose the services of any of our key executive officers, senior management, or are unable to retain, recruit and hire experienced staff, our ability to effectively manage and execute our operations and meet our strategic objectives could be harmed.

If our use of certain leased properties is challenged by third parties or government authorities or if we fail to renew our current leases or locate desirable alternatives for our facilities, our business operations could be adversely affected.

We lease properties for our offices, customer service center and warehouses. Some of the lessors of our leased properties have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, there could be uncertainties on the lessor-lessee relationship. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Some of the leased properties were also subject to mortgage at the time the leases were entered into. If no consent had been obtained from the mortgage holder under such circumstances, the lease may not be binding on the transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party. Certain land use set forth in our leases is inconsistent with those registered in land certificates. As such, land users of these leased properties may be required by competent authorities to hand over the properties in question. Under such circumstances, we may not use these properties. In addition, a substantial portion of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines. As of the date of this Prospectus, we are not aware of any claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is challenged, our business and operations may be disrupted, which may have a material adverse effect on our financial condition and results of operations.

Moreover, we may not be able to successfully extend or renew our leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

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We have limited insurance coverage which could expose us to significant costs and business disruption.

We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. Additionally, we provide group accident insurance and supplementary medical insurance for some employees. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, as these are not mandatory under PRC laws. We do not maintain insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. We cannot assure you that our insurance coverage, if any, will be sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters or the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, influenza A (H1N1), Ebola or another epidemic. Any such occurrences could cause severe disruption to our daily operations, including our fulfillment infrastructure and our customer service center, and may even require a temporary closure of our facilities. In May 2008, a severe earthquake hit part of Sichuan province in southwestern China, and in April 2010, another severe earthquake hit part of Qinghai province in western China, and in August 2014, another strong earthquake hit part of Yunnan province in south western China, each of which resulted in significant casualties and property damage. While we did not suffer any loss or experience any significant increase in cost resulting from these earthquakes, if a similar disaster were to occur in the future affecting Beijing, Shanghai or Ningbo, or any other city where we have major operations in China, our operations could be materially and adversely affected due to loss of personnel and damages to property, including our inventory and our technology systems. Our operation could also be severely disrupted if our suppliers, customers or business partners were affected by such natural disasters or health epidemics.

The global economic slowdown, crisis in global financial markets and volatility of property prices have negatively affected, and may continue to negatively affect, our results of operations, business and our ability to obtain necessary financing for our operations.

The global economic slowdown, crisis in global financial markets, including the economic turmoil in Europe, beginning in the second half of 2008 have had a negative impact on the PRC economy. The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains high, and recovery in the housing market remains subdued. In addition, in 2011, the United States received a credit rating downgrade for long-term United States debt for the first time in 70 years, heightening market volatility in major stock markets. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal

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monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports. On June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("**Brexit**"). A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union's free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and the PRC responded with similarly sized tariffs on United States' products. The rhetoric surrounding the trade war continues to escalate and neither side has been willing to resume stalled trade negotiations. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the industries we operate in remain uncertain. Our results of operations and financial condition, to a large extent, rely on the continuous spending by our advertising customers. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting the general demand for our products and services and erosion of their prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

Substantially all of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

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 Chinese government has implemented measures emphasizing the utilization 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 government. In

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addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating 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 decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, and since 2012, the Chinese economy has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our services and materially and adversely affect our business and results of operations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

We conduct our business primarily through our PRC subsidiaries and consolidated variable interest entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited number of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in

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more developed legal systems. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of Internet-related businesses and companies.

The PRC government extensively regulates the Internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the Internet industry. These Internet related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. The evolving PRC regulatory system for the Internet industry may lead to the establishment of new regulatory agencies.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the Internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, Internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones.

Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for content that is displayed on our website.

There are PRC laws and regulations governing Internet access and the distribution of products, services, news, information, audio-video programs and other content through the Internet. In the past, the PRC government has prohibited the distribution of information through the Internet that it deems to be in violation of PRC laws and regulations. If any of our Internet information is deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our customers or users of our website or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be prevented from operating our website in China.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The value of RMB against the U.S. dollar and other currencies is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. On July 21, 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years.

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Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. The PRC government has allowed the RMB to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010, though there also have been periods when it has lost value against the U.S. dollar. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. In addition, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in further appreciation in the value of the RMB against the U.S. dollar.

As of December 31, 2015, 2016 and 2017 and June 30, 2018, our gross exposure to foreign currencies (mainly U.S. dollars) arising from recognized assets and liabilities (expressed in RMB) was RMB32.4 million (liabilities), RMB91.0 million (assets), RMB106.9 million (assets) and RMB7.6 million (liabilities), respectively. The balances as of December 31, 2016 and 2017 primarily related to prepayments due from our affiliate in connection with our international orders. We have discontinued the arrangement and will settle amounts due to and from the affiliate before Listing, and therefore do not expect exposure of similar magnitude to recur in the future. See “Financial Information—Discussion of Certain Key Balance Sheet Items—Prepayments and Other Receivables.” Our exchange differences on translation of financial statements of overseas subsidiaries amounted to RMB0.005 million (loss), RMB0.4 million (loss), RMB0.6 million (gain), RMB0.9 million (gain) and RMB312.1 million (loss), respectively, for 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018. For the same periods, our net foreign exchange gain/(loss) amounted to RMB0.5 million (gain), RMB6.3 million (gain), RMB6.8 million (loss), RMB1.3 million (loss) and RMB6.1 million (loss), respectively. Significant revaluation of the RMB may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into Hong Kong dollars, U.S. dollars or other currencies for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the foreign currencies against the RMB would have a negative effect on the foreign currency amount available to us. In addition, appreciation or depreciation in the value of the RMB relative to U.S. dollars would affect our financial results reported in U.S. dollar terms regardless of any underlying change in our business or results of operations.

The PRC government’s control of foreign currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Any violation of applicable laws, regulations and/or rules in relation to foreign exchange control, including but not limited to the Administrative Regulations on Foreign Exchange of the PRC, may be subject to administrative penalties, including warnings and/or fines, and/or criminal liabilities in the worst scenarios. We receive substantially all of our net revenues in RMB. Under our current corporate structure, our Company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain

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procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our company who are PRC residents. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

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

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

The M&A Rules adopted by six PRC regulatory agencies on September 8, 2006 and amended on June 22, 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Provisions in Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the MOFCOM that became effective in September 1, 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire *de facto* control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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If we are classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “*de facto* management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “*de facto* management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “*de facto* management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “*de facto* management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “*de facto* management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “*de facto* management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that the Company or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then the Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of and dividends received from us on our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains or dividends are deemed to be from PRC sources. It is unclear whether non-PRC Shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

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We are subject to consumer protection laws that could require us to modify our current business practices and incur increased costs.

We are subject to numerous PRC laws and regulations that regulate retailers generally or govern e-commerce operators specifically, such as the Consumer Protection Law. If these regulations were to change or if we, suppliers or third-party sellers on our marketplace were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered on our platform and hurt our business and results of operations. For example, the amended Consumer Protection Law, which became effective in March 2014, further strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on businesses that operate on the Internet. Pursuant to the Consumer Protection Law, consumers are generally entitled to return certain goods purchased within seven days upon receipt without giving any reasons if they purchased the goods over the Internet. Consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online marketplace platforms may claim damages from sellers or service providers. Where the operators of an online marketplace platform are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages from the operators of the online marketplace platforms. Operators of online marketplace platforms that know or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liability with the sellers or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our potential acquisition and restructuring strategy.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (“**Public Notice 7**”). Under Public Notice 7, where a non-resident enterprise indirectly transfers equity or other property of a Chinese resident enterprise to evade its obligation of paying enterprise income tax by implementing arrangements that are not for bona fide commercial purpose, such indirect transfer shall, in accordance with the provisions of Article 47 of the Enterprise Income Tax Law, be re-identified and recognized as a direct transfer of equity or other property of the Chinese resident enterprise. We cannot assure you that the local tax authorities will not, in the future, impose tax on our overseas equity transfer.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. In addition, where the proceeds from indirect transfer

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of real estate or equity are subject to enterprise income tax according to the Public Notice 7, the entity or individual that has the direct liability for the relevant payment obligation to the equity transferor according to the relevant laws and regulations or contracts shall be identified as the withholding agent. Our company and other non-resident enterprises of ours may be subject to filing or tax obligations if our company and other non-resident enterprises of ours are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises of ours are transferees in such transactions, under Public Notice 7.

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

Under PRC laws and regulations, we are permitted to utilize the proceeds from this offering to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration and approval requirements.

Any loans to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the SAFE. The statutory limit for the total amount of foreign debts of a foreign-invested company is the difference between the amount of total investment as approved by the MOFCOM or its local counterpart and the amount of registered capital of such foreign-invested company.

We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart. In addition, SAFE promulgated the Circular on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or Circular 19, on March 30, 2015. Under Circular 19, registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used within the business scope and other certain ways as listed in Circular 19. SAFE further promulgated the Circular on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account, or Circular 16, on June 9, 2016, which expressly prohibits foreign-invested enterprises from using the registered capital settled in RMB converted from foreign currencies for investment in securities or other investments than banks' principal-secured products or the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business license. These circulars may significantly limit our ability to use RMB converted from the net proceeds of the Global Offering to fund establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies by our PRC subsidiaries, or to establish new consolidated variable interest entities in the PRC.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including Circular 19 and Circular 16, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. If we fail to complete such

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registrations or obtain such approvals, our ability to use the proceeds we expect to receive from this offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicle ("Circular 37") was promulgated by the SAFE in July 2014 that requires PRC residents or entities to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future. According to the Circular on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment which came into effect on June 1, 2015, foreign exchange registration approval under overseas direct investment was cancelled and commercial banks will review and carry out foreign exchange registration under foreign exchange registration under overseas direct investment directly, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local commercial banks, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested PRC residents holding direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. Due to a lack of detailed implementation rules of the registration requirements, some individual Shareholders of our Company who are PRC citizens applied for their remedial registration with the competent local branches of the SAFE. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will

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comply with our request to make or obtain any applicable registrations or comply with other requirements under Circular 37 or other related rules. The failure or inability of our PRC resident Shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in the PRC to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by the SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted restricted shares, restricted share units or options will be subject to these regulations upon the completion of this offering. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

In addition, the SAT has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries will have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or our PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, our PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

Certain judgments obtained against us by our Shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, a majority of our current directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that

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your rights have been infringed under the applicable securities laws or otherwise. In addition, because there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Also, the laws of the Cayman Islands may offer different remedies to you compared to the laws of Hong Kong or those of China. Even if you are successful in bringing an action of this kind, the laws of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

Our current tax benefits and government grants may be withdrawn or discontinued.

The Administrative Measures on Accreditation of High-tech Enterprises (2016 Revision) promulgated jointly by MOST, MOF and SAT on January 29, 2016 prescribes the conditions and procedures for an enterprise to be recognized as a high-tech enterprise. One of our PRC subsidiaries has been recognized as a new hi-tech enterprise. Under the EIT Law, qualified new hi-tech technology enterprises are entitled to a preferential tax rate of 15%. Preferential tax treatments and incentives granted to us by PRC governmental authorities are subject to review and may be adjusted or revoked at any time in the future.

According to the Notice on Improvements to Policies of Pre-tax Additional Deduction of Research and Development Expenses promulgated jointly by MOF, SAT and MOST on November 2, 2015, research and development expenses can qualify for additional deduction where such expenses incurred by an enterprise in its research and development activities do not form intangible assets and are included in the current period's profit or loss, 50% of such research and development expenses shall be deducted from the taxable income amount of the year; where intangible assets are formed, pre-tax amortization shall be made based on 150% of the costs of the intangible assets. One of our PRC subsidiaries has enjoyed such tax preference during the track period. In 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, due to the application of the preferential tax rate of 15%, such subsidiary saved nil, RMB2.7 million, RMB5.3 million, RMB0.9 million and RMB3.6 million, respectively, of tax expenses which would otherwise be paid had the ordinary tax rate of 25% been applied. During the same periods, such subsidiary enjoyed additional deduction of RMB4.9 million, RMB4.0 million, RMB3.6 million, RMB1.5 million and RMB2.6 million, respectively, pursuant to the Notice on Improvements to Policies of Pre-tax Additional Deduction of Research and Development Expenses.

We cannot assure you that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retroactive effect. The discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net income.

Moreover, in 2017, we received government grant of RMB2.5 million. Governmental grants are non-recurring payments which vary according to local governmental policies. The amounts granted were determined and paid at the sole discretion of the respective government authorities. We cannot assure you that the amount of government grants to us in the past will be repeated in any future period. In the event that we no longer benefit from government grants, our business financial condition and operating results could be adversely affected.

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Our deferred tax assets are subject to uncertainties and adjustments.

We had deferred tax assets of RMB17.9 million, RMB54.3 million, RMB24.9 million and RMB39.7 million, respectively, as of December 31, 2015, 2016 and 2017 and June 30, 2018. Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the losses and temporary differences can be utilized. In assessing whether such losses and temporary differences can be utilized in the future, we need to make judgements and estimates on the level and the timing of each of our subsidiaries to generate taxable income in the future years, after taking into account future tax planning strategies. We believe we have recorded adequate current tax provision and deferred taxes based on the prevailing tax rules and regulations and our current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact our results of operations or financial position.

RISKS RELATING TO CONTRACTUAL ARRANGEMENTS

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

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications services. In particular, under the Guidance Catalog of Industries for Foreign Investment and Special Administrative Measures (Negative List) for foreign Investment Access (Edition 2018) (Negative List) which was promulgated by the NDR and MOFCOM on June 28, 2018, and became effective on July 28, 2018, the operation of our app and website falls into the value-added telecommunications services business and is considered “restricted.”

We are a company incorporated under the laws of the Cayman Islands. To comply with PRC laws and regulations, we conduct a substantial portion of our business in China through our Consolidated Affiliated Entity, based on a series of Contractual Arrangements by and among BabyTree Information, our wholly-owned PRC subsidiary, our Consolidated Affiliated Entity and the Registered Shareholders of our Consolidated Affiliated Entity. Such Contractual Arrangements enable us to: (i) be the exclusive provider of business support, technical and consulting services in exchange for a fee; (ii) receive all of the economic benefits and bears all the risks in relation to the business operation of Zhongming; (iii) have an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of the equity interest in or asset of Zhongming at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (iv) pledge all of the equity interest in Zhongming to us as collateral security for any and all of the fees and cost under the Contractual Arrangements and to secure performance of the obligations under the Contractual Arrangements.

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations.

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Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Advisors. If we are found in violation of any PRC laws or regulations or if the Contractual Arrangements among BabyTree Information, our Consolidated Affiliated Entity and the Registered Shareholders of our Consolidated Affiliated Entity are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the Contractual Arrangements;
- revoke relevant business and operating licenses of us;
- require us to discontinue or restrict our operations;
- restrict our right to collect revenue from our Consolidated Affiliated Entity;
- shut down a substantial part of our websites or services;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to the Group's business.

Furthermore, any of the assets under the name of any record holder of equity interest in our Consolidated Affiliated Entity, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct the business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of our Consolidated Affiliated Entity or the right to receive its economic benefits, we would no longer be able to consolidate our Consolidated Affiliated Entity, thus adversely affect our results of operation.

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

MOFCOM released Draft FIL in January 2015 purportedly as a replacement of the major existing laws regulating foreign investment in China upon enactment. While MOFCOM solicited comments on Draft FIL in early 2015, substantial uncertainties exist with respect to its enactment timetable,

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interpretation and implementation. Draft FIL, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects. Please see “Contractual Arrangements—Development in the PRC Legislation on Foreign Investment” for further details.

Among other things, Draft FIL expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign-invested enterprise (“FIE”). Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a “negative list,” to be separately issued by the State Council later, if the FIE is engaged in an industry listed in the negative list, which calls for market entry clearance by the MOFCOM.

If, upon its enactment, the current Draft FIL (i) does not recognize our structure under our Contractual Arrangements as domestic investment; (ii) does not provide any preferential treatment to investors from Hong Kong, Macau and Taiwan; (iii) requires BabyTree Information to apply for access permission, a government permit that allows foreign investors to invest in “restricted” and/or “prohibited” businesses on the negative list, our Contractual Arrangements may be regarded as invalid and illegal if we have not obtained such access permission. As a result, our Group would not be able to continue our business in China through the Contractual Arrangements. For details of Draft FIL and the negative list and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from our Consolidated Affiliated Entity, please refer to “Contractual Arrangements—Development in the PRC Legislation on Foreign Investment” in this Prospectus.

Given that the relevant government authorities have broad discretion in interpreting the foreign investment laws and there are uncertainties as to the three possible approaches proposed in the Explanatory Notes on the treatment of existing contractual arrangements before the Draft FIL becomes effective as further described in “Contractual Arrangements—Development in the PRC Legislation on Foreign Investment” in this Prospectus, in the worst case scenario, the Contractual Arrangements may be regarded by the relevant government authorities as invalid and illegal and the relevant businesses may be ordered by the relevant government authorities to be discontinued under the existing structure and may not be sustainable in the event that: (i) the operation of the relevant businesses were to be recognized on the “negative list,” (ii) our Contractual Arrangements were to not be deemed as a domestic investment by the relevant government authorities, and (iii) there were to be no special treatment for the investors from Hong Kong, Macau and Taiwan who control a domestic enterprise. As a result, we will not be able to operate the relevant businesses through the Contractual Arrangements and will lose our rights to receive the economic benefits of Zhongming under the Contractual Arrangements and the financial results of Zhongming will no longer be consolidated into that of our Group and we will have to derecognize their assets and liabilities according to the relevant accounting standards. In such case, the Stock Exchange may also consider our Company to be no longer suitable for listing on the Stock Exchange and delist our Shares.

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

Since PRC laws limit foreign equity ownership in value-added telecommunications services in China, we provide our Internet content services in China through our Consolidated Affiliated Entity, in which we have no ownership interest and rely on the Contractual Arrangements with our Consolidated Affiliated Entity and its shareholders to control and operate the relevant businesses. Our revenue and cash flow from our Internet content services are attributed to our Consolidated Affiliated Entity. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entity. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of Zhongming, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if Zhongming fails to perform its respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. For example, if the shareholders of Zhongming were to refuse to transfer their equity interest in and/or assets of Zhongming to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over our affiliated entities and may lose control over the assets owned by Zhongming. As a result, we may be unable to consolidate Zhongming in our consolidated financial information, which could materially and adversely affect our results of operations and financial condition.

We may lose the ability to use the permits and licenses held by Zhongming that are important to the operation of our business if Zhongming declares bankruptcy or become subject to a dissolution or liquidation proceeding.

Our Consolidated Affiliated Entity, Zhongming, holds certain permits and licenses that are important to our business operations. The Contractual Arrangements with Zhongming and its shareholders contain terms that specifically obligate the shareholders of Zhongming to ensure the valid existence of Zhongming and that Zhongming may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate Zhongming, or should Zhongming declares bankruptcy, all or part of its assets may become subject to liens or rights of third-party creditors and we may be unable to continue a substantial portion of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

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Shareholders of Zhongming may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

We conduct our value-added telecommunications services and generate a substantial portion of revenue from such businesses, through Zhongming. Our control over Zhongming is based upon the Contractual Arrangements with it and its shareholders that allow us to control Zhongming. These shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and Zhongming, its shareholders will act completely in our interests or that the conflicts of interest will be resolved in our favor.

In addition, these shareholders may breach or cause Zhongming to breach the Contractual Arrangements. If Zhongming or its shareholders breach their contracts with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control Zhongming and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We conduct relevant business operation in the PRC through our Consolidated Affiliated Entity by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

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

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests in and/or assets of Zhongming, injunctive relief and/or winding up of Zhongming. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Zhongming in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in Zhongming in favor of an aggrieved party. Therefore, in the event of breach of any

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agreements constituting the Contractual Arrangements by Zhongming and/or its respective shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over Zhongming, which could negatively affect our ability to conduct our business.

If we exercise the option to acquire equity ownership of our Consolidated Affiliated Entity, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to FITE Regulations promulgated by the State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services. In addition, the major foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “Qualification Requirements”). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. Although it was advised by MIIT that certain measures we have taken can be regarded as relevant factors to prove that Qualification Requirements have been fulfilled by us, we still face the risk of not satisfying the requirement in the future. If the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China, we may be unable to unwind the Contractual Arrangements before we are able to comply with then updated Qualification Requirements, or if we attempt to unwind the Contractual Arrangements before we are able to comply with then updated Qualification Requirements, we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition and results of operations.

Pursuant to the Contractual Arrangements, BabyTree Information (or any subsidiary within our Group) has the exclusive right to purchase all or any part of the equity interests in and/or assets of Zhongming from the Registered Shareholders of Zhongming at a fixed exercise price. The Registered Shareholders shall return any amount of purchase price exceeding the exercise price they have received to BabyTree Information. See the section headed “Contractual Arrangements—Summary of the Material Terms of the Contractual Arrangements” in this Prospectus. If such a transfer takes place, the competent tax authority may require BabyTree Information to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

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

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, in which case additional taxes and interest may be imposed. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements among BabyTree Information, our Consolidated Affiliated Entity and the Registered Shareholders of our Consolidated Affiliated Entity were not conducted on an arm’s-length basis as the PRC tax authorities have the authority to make special tax adjustments on the tax position of our Consolidated Affiliated Entity. Such

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adjustments may adversely affect us by increasing the tax expenses of our Consolidated Affiliated Entity, subjecting Zhongming to late payment fees or other penalties for under-payment of taxes. Our consolidated results of operations may be adversely affected if the tax liabilities of our Consolidated Affiliated Entity increase or if it is subject to late payment fees or other penalties.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

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

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and the Largest Shareholder, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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

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

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this Prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

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

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Share. It is therefore possible that the final Offer Price will be set at HK\$6.12 per Offer Share upon the making of a full Downward Offer Price Adjustment.

If the final Offer Price is set at HK\$6.12, the estimated net proceeds we will receive from the Global Offering will be reduced to HK\$1,443.5 million.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

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

We do not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is a regular and effective communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two authorized representatives are Mr. XU Chong, an executive director, and Ms. CHEN Hongyou, the joint company secretary. Each of our authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the authorized representatives is authorized to communicate on our behalf with the Stock Exchange;
- (b) both authorized representatives have means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, our authorized representatives and Directors, will implement a policy that (i) each Director will have to provide their respective mobile phone number, office phone number, fax number and email address to the authorized representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will endeavour to provide his/her phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone; and (iii) all Directors and authorized representatives of our Company will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) in compliance with Rules 3A.19 of the Listing Rules, we have appointed Haitong International Capital Limited as our compliance adviser (the “**Compliance Adviser**”) which has access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. We will keep the Stock Exchange up to date in respect of any change to such details. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, authorized representatives, Directors and other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser informed of all communications and dealings between the Stock Exchange and us; and
- (d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of authorized representatives and/or the Compliance Adviser.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

We have appointed Ms. CHEN Hongyou and Ms. WU Miu Wah as our joint company secretaries. Biographical information of Ms. CHEN Hongyou and Ms. WU Miu Wah is set out in the section headed “Directors and Senior Management” in this Prospectus. Since Ms. CHEN Hongyou does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. CHEN Hongyou as our joint company secretary. In order to provide support to Ms. CHEN Hongyou, we have appointed Ms. WU Miu Wah, a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom which meets the requirements under Rule 3.28 and 8.17, as a joint company secretary to provide assistance to Ms. CHEN Hongyou, for a three-year period from the Listing Date so as to enable Ms. CHEN Hongyou to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties.

Such waiver will be revoked immediately if and when Ms. WU Miu Wah ceases to provide such assistance. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. CHEN Hongyou, having had the benefit of Ms. WU Miu Wah's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See the section headed "Directors and Senior Management" in this Prospectus for further information regarding the qualifications of Ms. CHEN Hongyou and Ms. WU Miu Wah.

CONNECTED TRANSACTIONS

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

PROPOSED SUBSCRIPTION OF SHARES BY EXISTING SHAREHOLDER

Rules 10.04, 10.03(1) and 10.03(2) of the Hong Kong Listing Rules provide that an existing shareholder of the issuer or its close associates may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions are fulfilled:

- (1) that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and
- (2) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 of the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocation will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Guidance Letter HKEX-GL43-12 provides that exercise of anti-dilution rights by the pre-IPO investors in connection with the IPO is permissible if: (i) the allocation is necessary in order to give effect to the pre-existing contractual rights of the pre-IPO investors; (ii) full disclosure of the pre-existing contractual entitlement of the pre-IPO investors contained in the relevant investor rights agreement and the number of shares to be subscribed by the pre-IPO investors will be made in the listing document and the allotment results announcement; and (iii) the additional shares will be subscribed for at the offer price of the IPO offering.

Guidance Letter HKEX-GL85-16 provides that if existing shareholders purchase securities pursuant to an anti-dilution provision, certain Existing Shareholders Conditions and Discretionary Basis Conditions/ Non-Discretionary Basis Conditions (as defined thereto) shall not apply.

Taobao China subscribed for 4,404,799 Shares on May 28, 2018 and purchased 2,986,304 Shares from another Shareholder on the same day. The Shares held by Taobao China in aggregate represent approximately 9.90% of the total share capital of the Company immediately prior to the completion of the Global Offering.

Pursuant to the May 28 Shareholders' Agreement, Taobao China shall have the anti-dilution option to purchase and subscribe for additional Shares at the Offer Price until its ownership of the then issued and outstanding share capital of the Company immediately after the Global Offering is the same as its aggregate ownership in the Company immediately prior to the Global Offering. Such arrangement is a typical anti-dilution right as it would allow Taobao China to subscribe for additional Shares, to the extent permissible by the Listing Rules, in order to reduce the dilutive effect of the Global Offering on its percentage interest in the Company.

We have applied for and the Stock Exchange has granted a waiver from strict compliance with Rule 10.04 of the Hong Kong Listing Rules and paragraph 5(2) of Appendix 6 to the Listing Rules in relation to the Company's allocation of Shares under the International Offering tranche to Taobao China, despite being an existing shareholder of the Company, subject to Taobao China exercising its anti-dilution right under the May 28 Shareholders' Agreement, on the following grounds:

- (i) Pursuant to the May 28 Shareholders' Agreement, Taobao China shall have the anti-dilution option to purchase and subscribe for additional Shares at the Offer Price until its ownership of the then issued and outstanding share capital of the Company immediately after the Global Offering is the same as its aggregate ownership in the Company immediately prior to the Global Offering. Such arrangement is a typical anti-dilution right as it would allow Taobao China to subscribe for additional Shares, to the extent permissible by the Listing Rules, in order to reduce the dilutive effect of the Global Offering on its percentage interest in the Company. If Taobao China exercises its anti-dilution right, the allocation would be necessary in order to give effect to the pre-existing contractual rights of the pre-IPO investors;
- (ii) the subscription right of Taobao China is a typical anti-dilution right granted to pre-IPO investors and, in particular, the proposed subscription by Taobao China pursuant to its anti-dilution right would not result in the percentage interest held by Taobao China in the Company increasing above its percentage interest immediately prior to the Global Offering. Such rights are permitted to be exercised at the time of the Global Offering pursuant to Paragraph 3.10 of Guidance Letter HKEX-GL43-12;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) the proposed subscription by Taobao China would form part of the International Offering, and would not have any impact on the Shares to be offered to public investors in Hong Kong under the Hong Kong Public Offering; and
- (iv) the proposed subscription by Taobao China of additional Shares would facilitate the marketing of, and boost investors' confidence in, the Global Offering under the volatile market conditions.

The waiver is subject to the following conditions:

- (i) the minimum public float percentage of 25% of the Company will be complied with;
- (ii) the proposed subscription by Taobao China pursuant to its anti-dilution right would not result in the percentage interest held by Taobao China in the Company increasing above its percentage interest immediately prior to the Global Offering;
- (iii) full disclosure of the pre-existing contractual arrangement between Taobao China and the Company contained in the May 28 Shareholders' Agreement, the maximum number of Shares that can be subscribed by Taobao China in the Global Offering, being 24,781,500 Shares, and the fact that the subscription price per Share will be at the Offer Price, have been made in this Prospectus;
- (vi) the proposed subscription of Shares by Taobao China would be conducted at the Offer Price; and
- (vii) information on the amount of Shares allocated to Taobao China would be disclosed in the allotment results announcement and the placees lists to be submitted to the Stock Exchange before Listing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

THE HONG KONG PUBLIC OFFERING, UNDERWRITING AND THIS PROSPECTUS

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

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

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Bookrunners (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around November 20, 2018, subject to the Offer Price being agreed. The Global Offering is managed by the Joint Global Coordinators.

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

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

Downward Offer Price Adjustment

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

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

OVER-ALLOTMENT OPTION AND STABILIZATION

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

RESTRICTIONS ON OFFER OF THE OFFER SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Save as disclosed in this prospectus, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, November 27, 2018. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 1761.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rates:

US\$1.00 to HK\$7.8205 (being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on November 2, 2018)

US\$1.00 to RMB6.8894 (being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on November 2, 2018)

HK\$1.00 to RMB0.8853 (being the prevailing exchange rate on November 2, 2018 set by the People's Bank of China)

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Mr. WANG Huainan (王懷南)	Unit 2, Building 3 No. 49, Fuxing Road Haidian District Beijing PRC	Chinese
Mr. XU Chong (徐翀)	Building 4 Zaoyuan Court Chongwen District Beijing PRC	Chinese
Non-executive Directors		
Mr. CHEN Qiyu (陳啟宇)	98 West Guangyuan Road Xuhui District Shanghai PRC	Chinese
Mr. WANG Changying (王長穎)	29/F, Zhongshen Huayuan Futian District Shenzhen Guangdong Province PRC	Chinese
Mr. SHAO Yibo (邵亦波)	7 Lane, 149 Dong An Road Xuhui District Shanghai PRC	Chinese
Mr. LUO Rong (羅戎)	Building 3 12 Xiaoying Road Chaoyang District Beijing PRC	Chinese
Mr. Christian Franz REITERMANN	Villa 41 Hongmei Garden 2989 Hongmei Road Minhang District Shanghai PRC	German

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. JING Jie (靖捷)	Unit 3, 13th Floor Honghui Court Xicheng District Beijing PRC	Chinese
Independent non-executive Directors		
Mr. CHEN Guanglei (陳廣壘)	17 North Shuncheng Road Fuxingmen Inner Street Xicheng District Beijing PRC	Chinese
Ms. CHEN Danxia (陳丹霞)	No. 29, I Huayuan Street Yuexiu District Guangzhou Guangdong PRC	Chinese
Mr. De-chao Michael YU (俞德超)	Building 50 Fengqing Shuian Garden Suzhou Industrial Zone Jiangsu PRC	American
Mr. ZHANG Hongjiang	No.1258, Youshanmeidi Houshayu Shunyi District Beijing PRC	Singaporean

Please see the section headed “Directors and Senior Management” in this Prospectus for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Haitong International Capital Limited

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

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
Central
Hong Kong

Lead Financial Advisor

UBS AG Hong Kong Branch

52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Co Financial Advisor

Fosun Hani Securities Limited

Suite 2101-2105, 21/F, Champion Tower
3 Garden Road
Central
Hong Kong

Joint Global Coordinators

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

UBS AG Hong Kong Branch

52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Haitong International Securities Company Limited

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Joint Lead Managers and Joint Bookrunners	Morgan Stanley Asia Limited <i>(in relation to the Hong Kong Public Offering only)</i> 46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
	Morgan Stanley & Co. International plc <i>(in relation to the International Offering only)</i> 25 Cabot Square Canary Wharf London E14 4QA United Kingdom
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
	Fosun Hani Securities Limited Suite 2101-2105, 21/F, Champion Tower 3 Garden Road Central Hong Kong
	AMTD Global Markets Limited 23-25/F Nexxus Building 41 Connaught Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Co-Lead Managers

First Shanghai Securities Limited

19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Sinomax Securities Limited

Room 2705-6, 27/F
Tower One, Lippo Centre
89 Queensway, Hong Kong

Legal advisors to our Company

As to Hong Kong and the United States laws:

Sidley Austin

39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC laws:

Commerce & Finance Law Offices

6th Floor, Xinhua Insurance Plaza
12A Jianguomenwai Avenue
Chaoyang District
Beijing
PRC

As to Cayman Islands laws:

Maples and Calder (Hong Kong) LLP

53rd Floor, The Center
99 Queen's Road Central
Hong Kong

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

As to Hong Kong and United States laws:

Simpson Thacher & Bartlett

ICBC Tower, 35/F
3 Garden Road
Central
Hong Kong

As to PRC laws:

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	Grandall Law Firm (Shanghai) 23-25F, Garden Square 968 West Beijing Road Shanghai PRC
Reporting Accountants and Independent Auditor	KPMG <i>Certified Public Accountants</i> 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. 1018, Tower B 500 Yunjin Road Shanghai, 200232 PRC
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered Office	Maples Corporate Services Limited P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Corporate Headquarters	6th Floor, Building A, Borui Plaza No. 26 North Road of East Third Ring Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	<i>ir.babytree.com</i> <i>(information on this website does not form part of this Prospectus)</i>
Joint Company Secretaries	Ms. CHEN Hongyou Ms. WU Miu Wah <i>(an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom)</i>
Authorized Representatives	Mr. XU Chong Ms. CHEN Hongyou
Audit Committee	Mr. CHEN Guanglei (Chairman) Mr. ZHANG Hongjiang Mr. SHAO Yibo
Remuneration Committee	Ms. CHEN Danxia (Chairwoman) Mr. De-chao Michael YU Mr. CHEN Guanglei Mr. WANG Huainan Mr. XU Chong
Nomination Committee	Mr. WANG Huainan (Chairman) Mr. De-chao Michael YU Mr. ZHANG Hongjiang
Compliance Adviser	Haitong International Capital Limited 8/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

**Principal Share Registrar in
Cayman Islands**

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited

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

Principal Bank

China Merchants Bank, Beijing Guanghai Road Branch

F2 Kerry Shopping Mall
No. 1 Guanghai Road
Beijing
PRC

INDUSTRY OVERVIEW

The information contained in this section is derived from various governmental and official publications, other publications and, unless otherwise indicated, the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the sources of 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. We, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners or any of our or their respective directors, senior management, representatives and any other persons (other than Frost & Sullivan) involved in the Global Offering have not independently verified such information and have made no representation as to accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.⁽¹⁾

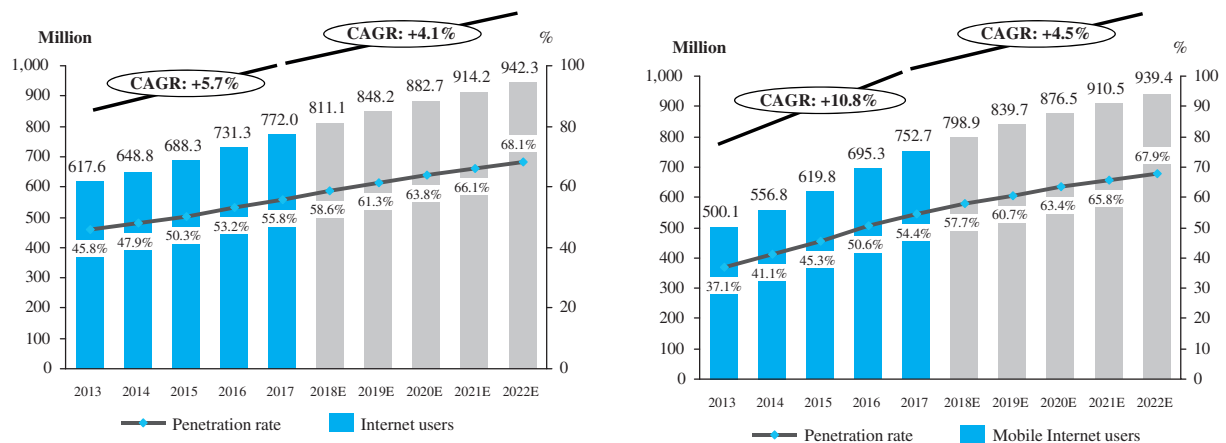
OVERVIEW OF THE INTERNET MARKET AND CONSUMPTION ECONOMY IN CHINA

Growth in the Overall Internet and Mobile Internet Markets

Along with the rapid development in information technology, the number of Internet users in China increased from 617.6 million as of December 31, 2013 to 772.0 million as of December 31, 2017, representing a CAGR of 5.7%. According to Frost & Sullivan, the Internet penetration rate in China, expressed as the number of Internet users over the size of the Chinese population, rose from 45.8% in 2013 to 55.8% in 2017 and is expected to further increase to 68.1% in 2022.

By comparison, the number of mobile Internet users in China increased from 500.1 million as of December 31, 2013 to 752.7 million as of December 31, 2017, representing a CAGR of 10.8%, according to Frost & Sullivan. The penetration rate of mobile Internet in China increased from 37.1% to 54.4% over the same period. With continual improvement of mobile features and applications, penetration rate of the mobile Internet in China is expected to further increase to 67.9% in 2022.

The following charts show the number and penetration rate of Internet users and mobile Internet users in China respectively:



⁽¹⁾ We have commissioned Frost & Sullivan to analyze and report on the current status of, and forecasts for, the selected markets in which we operate in China. We agreed to pay Frost & Sullivan a fee of approximately RMB600,000 for the preparation and use of its report. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the selected industries in China.

Established in 1961, Frost & Sullivan has conducted industry research and provided market and enterprise strategies, consultancy and training services for several industries, including building and construction, automobile, transportation and logistics, chemical engineering, energy and power systems, environmental protection technologies, electronics, information and telecommunication technologies, and medical and healthcare. In preparing the report, Frost & Sullivan has relied on the statistics and information obtained through interviews with industry experts, official statistical sources, market indicators for modeling as well as the exclusive database established by Frost & Sullivan over the past decades.

INDUSTRY OVERVIEW

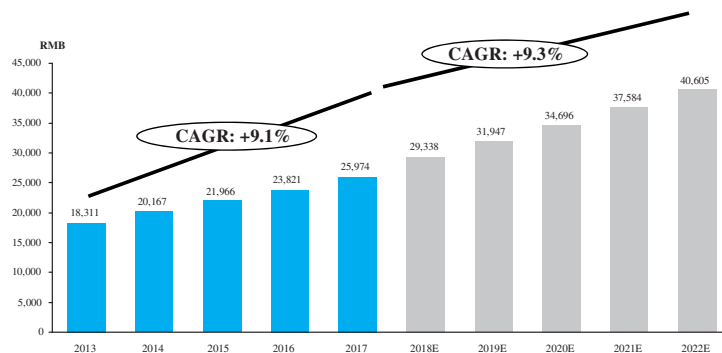
Note: Number of Internet users counts the number of people over six years old who have used Internet in the past six months.

Source: China Internet Network Information Center, Frost & Sullivan

Consumption Economy

China has been experiencing economic growth in recent years, along with a steady increase in the average income level of its residents. From 2013 to 2017, the *per capita* annual disposable income of Chinese residents increased from RMB18,311 to RMB25,974, representing a CAGR of 9.1%, according to Frost & Sullivan.

The growth of *per capita* annual disposable income of Chinese residents has stimulated the China's consumption economy, particularly expenditure on educational, cultural and recreational activities and services. The *per capita* annual disposable income of Chinese residents is expected to grow at a CAGR of 9.3% during the period from 2017 to 2022, as shown in the following chart:



Source: National Bureau of Statistics of China, Frost & Sullivan

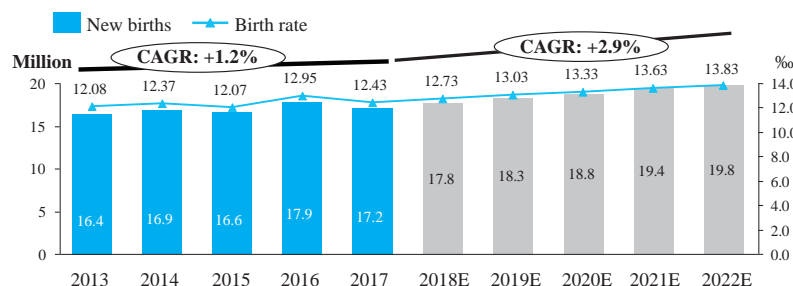
China's consumption economy has been steadily growing, fueled by (i) rising income and an expansion of the middle class, which translate into more consumers willing to pay higher prices for products and services that improve the quality of life; (ii) the growth of a new generation of consumers who enjoy shopping more than the older generation; and (iii) the development of online shopping which offers a better and more convenient shopping experience, which encourages more shopping.

OVERVIEW OF THE M&C-FOCUSED PRODUCT AND SERVICE MARKET IN CHINA

Overview of the Young Family Spending Market in China

Number of new births and birth rate in China

The Chinese government has gradually relaxed the one-child policy in recent years. The number of new births increased from 16.4 million in 2013 to 17.2 million in 2017, representing a CAGR of 1.2% over the period, with the birth rate increased from 12.08‰ to 12.43‰. The birth rate is expected to grow steadily to above 13‰ in the coming years, according to Frost & Sullivan, as shown in the following chart:



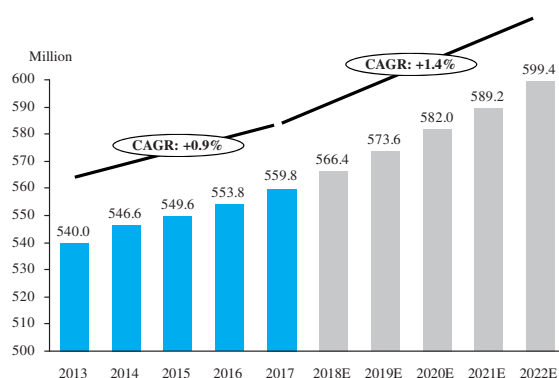
INDUSTRY OVERVIEW

Source: National Bureau of Statistics of China; Frost & Sullivan

Given the predicted steady growth of birth rate, China's market for M&C products and services is expected to expand in the foreseeable future.

Online young family platforms' target user size in China

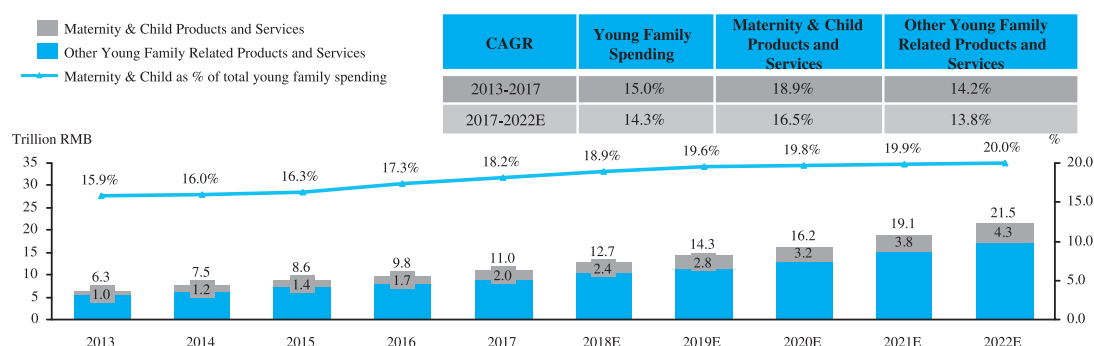
The target users of young family platforms refer to the core family members of a typical Chinese young family, namely, the parents and grandparents of the children. According to Frost & Sullivan, the number of target users increased from 540.0 million as of December 31, 2013 to 559.8 million as of December 31, 2017. It is expected that the number of new births will continue to rise in the next few years and thus the number of target users for online young family platforms is expected to grow to 599.4 million by 2022, as shown in the following chart:



Source: Frost & Sullivan

Growth of young family spending market in China

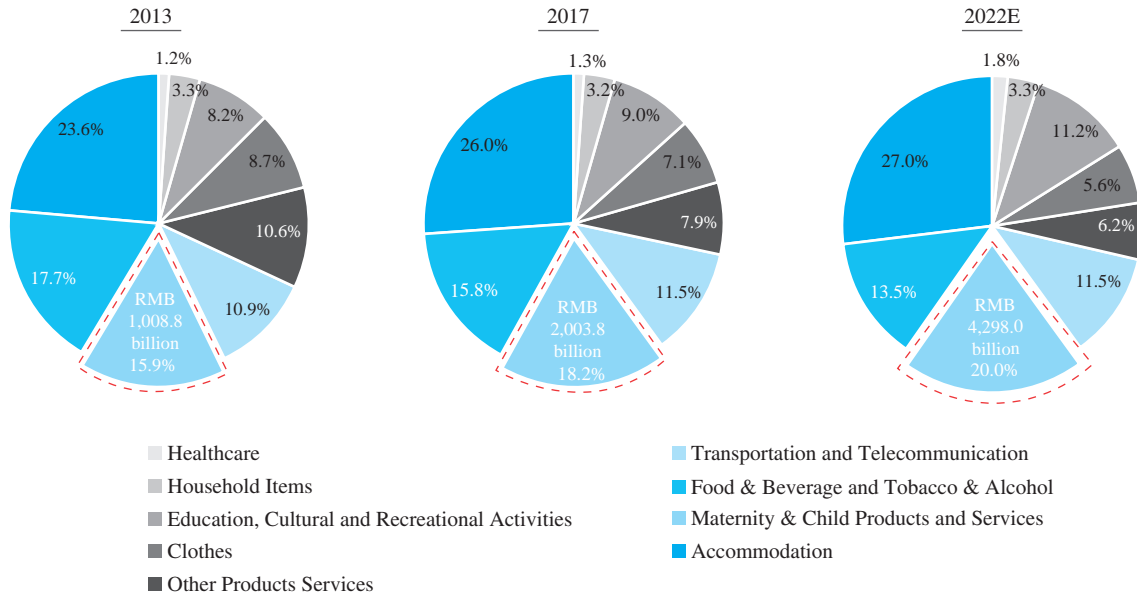
Young families in China spend on a wide variety of products and services. The market size of young family spending in China grew rapidly from RMB6.3 trillion in 2013 to RMB11.0 trillion in 2017, representing a CAGR of 15.0%. During the same period, the M&C products and services market expanded from RMB1.0 trillion in 2013 to RMB2.0 trillion in 2017, representing a CAGR of 18.9%, as shown in the table below. With the continuing consumption growth and enhanced awareness of M&C-focused care and services, the M&C product and service market was an important driving force for the growth of young family spending from 2013 to 2017. This was reflected by the increasing proportion of M&C-related spending over the entire young family spending from 15.9% in 2013 to 18.2% in 2017, as shown in the following chart:



Source: Frost & Sullivan

INDUSTRY OVERVIEW

The young family spending market is expected to further diversify and other family members' needs will be further explored. In particular, spending on M&C products and services accounted for the second largest expense in a young family's budget in 2017 following accommodation expense and will remain so in the next few years. The proportion of M&C-related spending is expected to continue to rise and reach 20.0% in 2022. The majority of young family spending will be non-M&C products and services in a broad variety of categories. The following table shows the market size of young family spending in China by segment:



Source: Frost & Sullivan

Mothers are not only generally active in exchanging their parenting experiences, they are also considered the principal decision-maker in spending in young families. According to a consumer survey* conducted by Frost & Sullivan, 90.1% of mothers are the sole principal decision-maker in their family for M&C-focused spending in China. Even for general spending, 82.3% of mothers are the sole principal decision-maker. When making purchase decisions, young families consider brand image the most important factor, especially for M&C products.

M&C-focused Young Family Online Platforms in China

Young family online platforms have emerged as a result of the diversification of a young family's spending and needs. Young families have various types of needs, including learning, sharing, recording and shopping. Catering to these needs, a variety of M&C-focused online platforms have been developed, offering services or functions related to e-commerce, online community, recording and tracking, early education and health, sourced from average users, KOLs, experts (such as medical and educational professionals) and product suppliers.

M&C-focused online young family platforms mainly consist of the following types: e-commerce (such as Beibei (貝貝) and Mia (蜜芽)), online community (such as Mama.cn (媽媽網) and Baobaozhidao (寶寶知道)), early education (such as BevaErge (貝瓦兒歌) and Babybus (寶寶巴士)) and Internet health (such as Xiaodoumiao Vaccine Assistant (小豆苗疫苗助手) and Cuiyutao Yuxueyuan (崔玉濤育學園)). Although these various types of online young family platforms focus on different areas of young families' needs, their business models face similar difficulties, namely, user traffic acquisition cost and user stickiness.

* Based on 2,000 valid samples collected from randomly selected target respondents with children under 6 years old or a family member of whom was in preparation for pregnancy in 18 various tiers of cities in China.

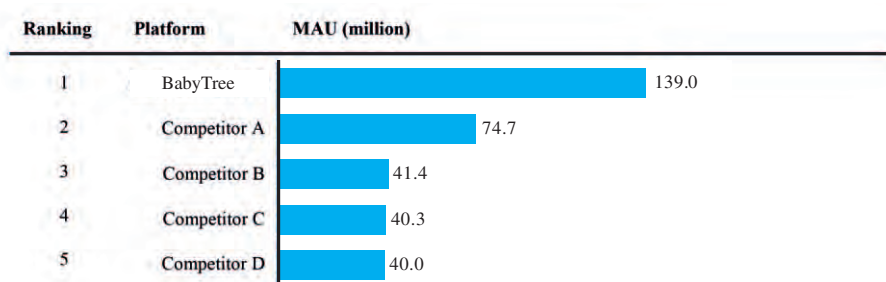
INDUSTRY OVERVIEW

User traffic acquisition cost. Sufficient user traffic is essential to the development of online platforms. Players in e-commerce, early education and Internet health usually invest large amount of capital into subsidizing new users, which is not cost-effective in the long run. In particular, the M&C-focused e-commerce platforms usually target expecting and young parents and their children. As such, the length of user engagement period is usually limited and it is difficult to generate sufficient revenue to cover the user traffic acquisition cost on an individual basis.

User stickiness. Users can lose interest and cease using an online platform if its functionalities no longer attract them. In addition, as competition within M&C sector intensifies, users could be attracted by competitors with new products and services which they find appealing or who offer financial incentives. As a result, it is difficult to maintain a relatively high level of user stickiness.

Community-based online platforms with a large number of active users provide great opportunities for mothers to discuss M&C products and exchange parenting experiences. In addition, as the recording tools have stored large numbers of old images or videos of children and their families, the life cycle of these tools can be extended throughout the childhood or even adulthood of the children. As such, community-based online platforms would have great opportunities to monetize active and sticky user traffic. It follows that community-based online platforms usually have a comparative advantage against other online young family platforms which focus only on e-commerce or early education.

In terms of the average total MAUs across all platforms (including the PC, WAP and mobile app), BabyTree held a leading position with an average 139.0 million total MAUs in 2017, the highest among all M&C-focused online young family platforms in China, as shown in the following ranking table:



Moreover, according to a consumer survey* conducted by Frost & Sullivan, 34.2% and 33.9% of the consumers consider BabyTree to have the most comprehensive and most authoritative content, respectively, which are the highest among all M&C-focused online platforms in China. BabyTree is also considered the most trusted M&C-focused online platform by 21.3% of the consumers, which is also the highest among all M&C-focused online platforms in China.*

M&C-focused Online Communities in China

M&C-focused online community is an online platform with social function that provides M&C-related information, including but not limited to conception, pregnancy, birth and early childhood development for parents, expecting parents as well as their families.

* Based on 2,000 valid samples collected from randomly selected target respondents with children under 6 years old or a family member of whom was in preparation for pregnancy in 18 various tiers of cities in China.

INDUSTRY OVERVIEW

Competitive landscape among M&C-focused online communities in China

While operators of M&C-focused online community might share the same functions, BabyTree has adopted the most comprehensive monetization methods compared to other competitors. The following table shows a side-by-side comparison against the key competitors:

	Functions				Monetization Methods	Features
	Social networking	Knowledge sharing, Q&A	Recording and tracking	Shopping		
BabyTree	✓	✓	✓	✓	<ul style="list-style-type: none"> Online advertising E-commerce Content monetization 	<ul style="list-style-type: none"> Comprehensive content library Strong social features Diverse service offerings Versatile monetization methods Strong e-commerce platform Close collaborations with powerful strategic partners
Competitor A	✓	✓	✓		<ul style="list-style-type: none"> Online advertising 	<ul style="list-style-type: none"> Solid traffic support from a major search engine Strong brand recognition
Competitor B	✓	✓	✓	✓	<ul style="list-style-type: none"> Online advertising E-commerce 	<ul style="list-style-type: none"> Extensive city-based social networks Diverse service offering
Competitor C	✓	✓			<ul style="list-style-type: none"> Online advertising 	<ul style="list-style-type: none"> Focused on web-based platform with limited mobile application user base
Competitor D	✓	✓	✓		<ul style="list-style-type: none"> Online advertising 	<ul style="list-style-type: none"> Focused on web-based platform with limited mobile application user base

* Based on 2,000 valid samples collected from randomly selected target respondents with children under 6 years old or a family member of which was in preparation for pregnancy in 18 various tiers of cities.

According to Frost & Sullivan, the Group also faces competition from non-M&C-focused online communities and online e-commerce platforms which provide M&C-focused services and products as part of their business or product portfolio, such as: (i) non-M&C-focused online communities such as Weibo, sohu.com and 163.com which provide advertising services to advertising clients; (ii) non-M&C-focused online e-commerce platforms such as Taobao and JD.com which sell M&C related products; and (iii) non-M&C-focused online communities like Zhihu that offer M&C-related content.

Key Success Factors of M&C Online Communities in China

Brand image. Most users join M&C online communities to obtain relevant knowledge, and they tend to place trust on online communities with a better brand image. Even for companies with large user flow in other fields, starting business in M&C online community is likely to fail due to the lack of an authoritative brand image that could only be attained through long-term brand building.

Social function. By embedding social functions into M&C online communities, industry leaders can differentiate themselves from the knowledge-oriented websites. In addition, as competition among M&C online communities intensifies, well-established social functions can not only attract more users, but also increase the existing users' stickiness as well as the conversion rate.

Content quality. As the majority of M&C online communities provide users with free access, the quality of content is essential to retain users. High quality content should be both customized and reliable to ensure that users are able to receive tailored and trustworthy information.

INDUSTRY OVERVIEW

Diversification. M&C online communities that provide diversified services are likely to outperform those providing a narrow scope of services. Efforts should be made to explore knowledge and topics in related industries or fields, to meet the diversified needs of community users and to further exploit the value of community users.

User experience. User experience is a critical factor influencing users' evaluation of the community and the length of stay. The M&C online communities should optimize product development so that what users experience on the mobile apps or websites remain relevant and interesting for them.

Strong support of big data analysis and algorithm. Online communities with strength in big data and algorithm technology are more capable of organizing content efficiently and providing users with relevant information and services. M&C online communities should actively utilize their accumulated huge user flow and the big data and apply the same to online advertising, behavior analysis and others, and continue to improve profitability and competitiveness.

Key Entry Barriers to the M&C Online Community Market in China

User quantity and quality. M&C online community incumbents have passed the initial stages and attained large amounts of users. Their user stickiness and activity are relatively stable which resulted from sufficient operating time. In addition, well-established social functions can not only attract more users, but also increase the existing users' stickiness. This would be a major barrier for new entrants.

Accumulated content. The main activities in the online communities are content generation and sharing. The longer a platform has operated, the larger amount of content it will have accumulated. Such content may include UGC, PGC and PUGC, which are valuable assets for the platforms. In addition, once such content is systematically sorted, it could evolve into a constructive knowledge library and provide users with a more friendly and helpful tool. This would prove to be a great barrier for new entrants.

Technology support. The construction, operation and maintenance of an M&C community require a great deal of M&C expertise and technical support. The sheer volume of user flow requires big data technology so that user habits and preferences can be analyzed properly. The layout and page design require constant adaptation through the use of appropriate algorithms.

Monetization Opportunities of M&C-focused Online Communities in China

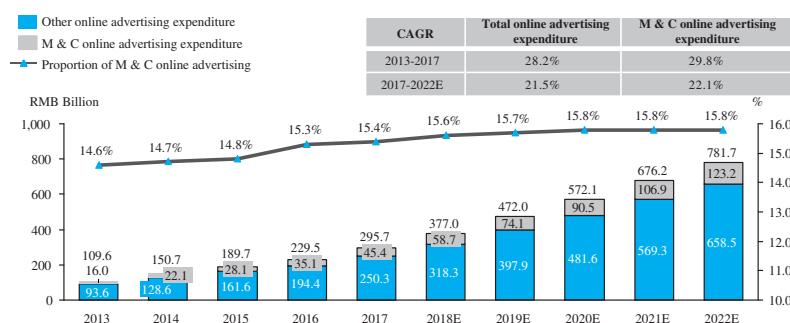
Compared with the business model of other online platforms, M&C-focused online communities are able to attract more active users from young families and attain more comprehensive user data, which makes up a viable channel for monetization. With the solid foundation of user traffic and sufficient data base of user behavior and characteristics, the community-based business model enables the stakeholders to explore monetization opportunities catering for young families in different aspects, namely online advertising, M&C e-commerce and M&C paid knowledge.

Online advertising market

Growth of M&C-related online advertising market

The market size of online advertising in China witnessed remarkable growth, increasing from RMB109.6 billion in 2013 to RMB295.7 billion in 2017, at a CAGR of 28.2%. Driven by the increasing number of Internet users and technological advancement, the online advertising market in China is expected to enjoy further expansion at a CAGR of 21.5% from 2017 to 2022. In particular, the market size of M&C-related online advertising increased from RMB16.0 billion in 2013 to RMB45.4 billion in 2017, representing a CAGR of 29.8%. With M&C brands actively investing in brand-building and attaching more importance to online marketing, the online advertising expenditure targeted at the M&C segment is expected to increase at a CAGR of 22.1% from 2017 to 2022, according to Frost & Sullivan, as shown in the following chart:

INDUSTRY OVERVIEW



Source: China Internet Network Information Center, Frost & Sullivan

Online advertising expenditure of M&C products

	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
(RMB in Billions)										
M&C focused online platforms.....	9.6	12.8	16.2	20.2	26.1	33.6	42.2	51.4	60.5	69.5
Other online platforms ⁽¹⁾ ..	6.4	9.3	11.9	14.9	19.3	25.1	31.9	39.1	46.4	53.7
Total.....	16.0	22.1	28.1	35.1	45.4	58.7	74.1	90.5	106.9	123.2

Note:

(1) Other online platforms include but not limited to online video platforms, portal websites, search engines and comprehensive e-commerce platforms.

Source: Frost & Sullivan

Key growth drivers

Increasing online social networking behaviors. People are more prone to share instant life events and emotions on social media with the development of mobile internet and the increasing convenience of social tools. User traffic has been driven from offline to online space, which has led advertisers to spend more marketing expenditure on online platforms.

Increasing number of Internet and mobile Internet users benefits the online advertising market. In the past years, the number of Internet users and mobile Internet users in China increased remarkably, constituting nearly half of total population respectively, forming a solid customer base and bringing great potential and opportunities to online advertising market.

Changing lifestyle and consumption habits drive the increase of market demand. Nowadays, people spend more time on the Internet with social and entertainment media. The Internet has become one of the most important media channels that can directly reach consumers. Online advertising can attract the attention of audience and convert the data traffic gathered into economic benefits.

M&C e-commerce market

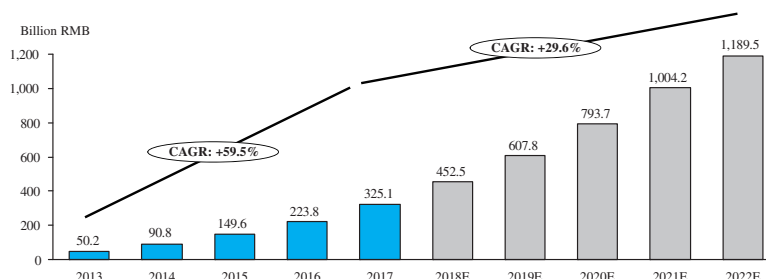
Growth of M&C e-commerce market

Due to the growth of the Internet and mobile Internet markets and the increase in *per capita* disposable income of Chinese residents, China's e-commerce market has experienced rapid growth. According to Frost & Sullivan, its market size measured by trading value increased from RMB1.9 trillion in 2013 to RMB7.2 trillion in 2017, representing a CAGR of 39.5%. It is expected to further increase to RMB18.3 trillion in 2022 at a CAGR of 20.5%.

In particular, the market size of M&C e-commerce in terms of GMV increased from RMB50.2 billion in 2013 to RMB325.1 billion in 2017, representing a CAGR of 59.5%. Other key players in the

INDUSTRY OVERVIEW

M&C e-commerce industry include Beibei, Mia and B&G. With the deepening penetration of the Internet and the continuing growth in overall e-commerce in China, the M&C e-commerce market size measured by GMV is expected to further grow at a CAGR of 29.6% from 2017 to 2022, as shown in the following chart:



Source: Frost & Sullivan

E-commerce GMV of M&C products

	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
	(RMB in Billions)									
M&C focused online platforms.....	3.3	6.4	11.2	17.9	27.0	38.9	54.1	73.0	95.4	116.6
Other online platforms ⁽¹⁾ ..	46.9	84.4	138.4	205.9	298.1	413.6	553.7	720.7	908.8	1,072.9
Total.....	50.2	90.8	149.6	223.8	325.1	452.5	607.8	793.7	1,004.2	1,189.5

Note:

(1) Other online platforms mainly refer to comprehensive e-commerce platforms.

Source: Frost & Sullivan

Key growth drivers

Rising disposable income. Continuous rising disposable income and consumption power are expected to drive the sustainable growth of consumer demand for M&C products.

Continuous consumption upgrade. As consumers are more concerned about product safety and quality, they are willing to trade up to premium goods that are perceived to be safer and of higher quality. There is ample space for M&C brands to provide premium products that are still affordable to satisfy consumers' new demand.

Deeper Internet penetration. China's Internet infrastructure and diversified mobile devices and apps are increasingly being improved and thus the Internet penetration gets deeper and consumers purchase online or through mobile applications more frequently. As an effective sales channel, mobile applications have also provided an innovative channel for marketing. Rapid expansion of sales channels on mobile devices is expected, which will drive the growth of online sales.

M&C content monetization market

Growth of M&C content monetization market

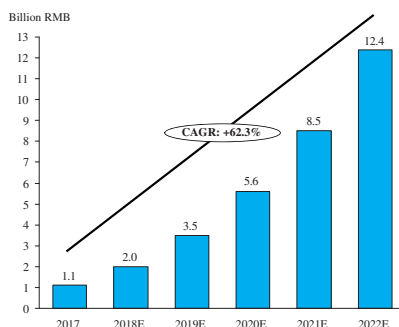
With the rapid flow of information and the mixture of M&C products on the market, many families who pay attention to prenatal care are given more options in recent years. In response to it, many paid knowledge platforms have introduced M&C topics so that the families can make better informed decisions.

Users value quality and are more willing to pay for a customized response, especially for content related to health. M&C paid knowledge market emerged during 2016. More vertical platforms with

INDUSTRY OVERVIEW

large amount of users emerged in 2017. This promising market also attracted the active participation of some self-media. The rise of the middle class and the consumption upgrade have brought in a large number of target users for these platforms. The market is fragmented and at an early stage of development.

Driven by the favorable factors, the revenue of M&C paid knowledge market is expected to increase from RMB1.1 billion in 2017 to RMB12.4 billion in 2022 with a CAGR of 62.3% as shown in the following graph:



Source: Frost & Sullivan

Key growth drivers

Targeting young parents. Young and first-time parents may face prenatal anxiety. The M&C content monetize services ensure parents obtain quality parenting knowledge in a time and cost effective manner.

Expansion in products offering. By increasing the quantity and variety of products offered, the M&C paid knowledge providers seek to attract new users and improve the repeat purchase rate of existing customers.

Users' willingness to pay. The increased intellectual property awareness and heightened regulation of intellectual property in China have induced Internet users to be more willing to pay for online content and services.

Accessibility to third-party technology solution. Third-party technology solution providers can offer support to small content-producing start-ups in order to facilitate the commercialization of their businesses.

Cost Analysis of M&C Online Community

According to Frost and Sullivan, depending on the monetization model, the major costs of M&C online community are labor cost and marketing expenses. Labor cost refers to the cost of recruiting IT talents and operational staff. Marketing expenses will be incurred in attracting new customers. For those companies which are also engaged in direct sales e-commerce business, inventory cost also accounts for a major part of their cost.

Labor cost has seen steady growth for the past few years and is expected to continue to grow in the near future. Marketing expenses of M&C online communities are highly related to the unit advertising cost of video platforms and search engines, both of which are the preferred advertising channels of most online M&C communities. Since the unit advertising cost of both channels maintained relatively stable growth during the Track Record Period and is expected to remain stable in the forecast period, marketing expenses will also maintain a stable growth during the same period.

Since inventory cost is affected by the fluctuations of the wholesale prices of M&C products, which have maintained relatively stable growth in the past few years and is expected to remain stable in the forecasted period, inventory cost will continue to grow during the same period.

DIRECTORS' CONFIRMATION

As of the Latest Practicable Date, after taking reasonable care, our Directors confirm that there was no adverse change in the market information since the respective dates of the various data contained herein which may qualify or contradict the information in this section.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our business commenced in January 2007 with the acquisition of Zhongming by our Founder, Mr. Wang. Since that time, we have gradually broadened the scope of services provided by us and have become the largest and most active M&C-focused community platform in China by MAU, according to the Frost & Sullivan Report, dedicated to connecting and serving young families.

In January 2007, Mr. Wang purchased the entire equity interest in Zhongming from an Independent Third Party. With the successful launches of certain major websites and applications operated by Zhongming, such as *babytree.com*, *Babytree Parenting* and *WeTime*, Zhongming has been the core operating entity of our Group since the purchase. In March 2007, Mr. Wang founded BabyTree Inc., an exempted company with limited liability in the Cayman Islands, which became the then offshore holding company of our Group.

In August 2007, BabyTree Information was established by BabyTree Inc. as a wholly foreign owned enterprise in the PRC. In September 2014, Babytree Inc. established BabyTree Holding Inc., which subsequently established BabyTree Trading Limited in October 2014. Also in October 2014, Meitun Mama and Meitun Meiwu were established in the PRC. Two sets of contractual arrangements were effected among these companies prior to the commencement of the Track Record Period, one of which was between BabyTree Information and Mr. Wang, who was the sole shareholder of Zhongming, and the other was between Meitun Meiwu and Mr. Wang and Mr. WEI Xiaowei, who were shareholders of Meitun Mama (the “**Previous VIE Structure**”). Since 2015, we underwent the earlier corporate restructuring to shift the holding company of our Group to a PRC entity (the “**Earlier Corporate Restructuring**”). We operated our business under the Previous VIE Structure until it was dismantled structurally during the process of the Earlier Corporate Restructuring. For details of our Previous VIE Structure, see “—Our Shareholding and Corporate Structure—Background Relating to the Previous VIE Structure” in this section. In July 2017, upon completion of the Earlier Corporate Restructuring, BabyTree Inc. was no longer the holding company of our Group and Zhongming became the new holding company of our Group. For details of the Earlier Corporate Restructuring and dismantlement of the Previous VIE Structure, please see “Our Shareholding and Corporate Structure—Earlier Corporate Restructuring and Financing” in this section.

Since November 2017, we have effected a series of reorganization steps in preparation of the Listing. For details of the Pre-IPO Reorganization, see “—Pre-IPO Reorganization” in this section.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

MILESTONES

The following table summarizes key milestones in our development:

Timeline	Milestone
January 2007	Mr. Wang acquired Zhongming from an independent third party and started our business.
March 2007	We launched our flagship website <i>babytree.com</i> .
August 2007	BabyTree Information was established.
May 2008	We were listed as one of the “Red Herring Top 100” technology companies awarded by Red Herring, a world-renowned media company based in Silicon Valley, the United States.
May 2012	We launched <i>Babytree Parenting</i> mobile app (previously known as <i>Happy Pregnancy</i> (快樂孕期)).
April 2013	<i>babytree.com</i> became the world’s largest pregnancy and parenting website in terms of overall traffic, unique users and time on site, according to <i>Amazon’s</i> web statistics tracking site <i>alexa.com</i> .
October 2014	We launched our second platform <i>WeTime</i> .
June 2015	Our e-commerce platform <i>Meitun Mama</i> was launched.
November 2016	We completed financing led by Fosun with a total investment amount of approximately RMB3 billion.
November 2017	BabyTree Information was awarded the “Leading Brands (Industry) 2017” granted by Asiabrand Ceremony Organizing Committee (世界品牌峰會組委會).
May 2018	We entered into a strategic cooperation agreement with Alibaba, in conjunction with an equity investment of approximately US\$214 million made by it (through its indirect wholly-owned subsidiary, Taobao China), representing 9.90% of our share capital as of the Latest Practicable Date.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR GROUP

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 9, 2018, with an authorized share capital of US\$50,000 divided into 500,000,000 Shares with par value of US\$0.0001 each. Immediately after incorporation, one Share of our Company was allotted and issued to the initial subscriber, who on the same day transferred the Share to Golden Leaf Holdings Limited, which is a BVI company wholly owned by Mr. Wang.

For shareholding changes of our Company, Principal Subsidiaries and Consolidated Affiliated Entity, see “Our Group — Our Principal Subsidiaries and Consolidated Affiliated Entity” below and the section headed “Statutory and General Information — A. Further Information about Our Group — 2. Changes in Share Capital of the Company” and “— 3. Changes in Share Capital of Our Subsidiaries and Consolidated Affiliated Entity” in Appendix IV to this Prospectus.

Our Principal Subsidiaries and Consolidated Affiliated Entity

We conduct our business mainly through our four wholly-owned principal subsidiaries and our Consolidated Affiliated Entity. The corporate information of these entities as of the Latest Practicable Date are set out below.

Principal Subsidiaries

BabyTree Information

BabyTree Information was established by BabyTree Inc. in August 2007 as a wholly owned foreign enterprise in the PRC. It became a wholly-owned subsidiary of Zhongming in July 2016 during our Earlier Corporate Restructuring. In May 2018, as one of our Pre-IPO Reorganization steps, it became wholly owned by BabyTree Hong Kong with a registered capital of approximately RMB97,772,300. BabyTree Information is principally engaged in the provision of technical services.

Meitun Mama

Meitun Mama was established by Mr. Wang and Mr. WEI Xiaowei, who is a member of senior management of our Company, in October 2014 in the PRC and was held by Mr. Wang and Mr. WEI Xiaowei as to 90% and 10% respectively. In November 2016, Mr. Wang and Mr. WEI Xiaowei transferred their entire equity interests in Meitun Mama to Zhongming for a consideration of RMB4.5 million and RMB0.5 million, respectively, based on the registered capital of Meitun Mama of RMB5 million. In May 2018, as a step in our Pre-IPO Reorganization, Zhongming transferred its entire equity interests in Meitun Mama to BabyTree Information for a consideration of RMB5 million. As of the Latest Practicable Date, Meitun Mama was wholly owned by BabyTree Information with a registered capital of RMB5 million, and is the operating entity of our e-commerce platform *Meitun Mama*.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Ningbo Meitun

Ningbo Meitun was established by Meitun Mama in September 2015 in the PRC. As of the Latest Practicable Date, it remained wholly owned by Meitun Mama with a registered capital of RMB5 million, and held a bonded warehouse of the Group.

Wuhan Meitun

Wuhan Meitun was established by Meitun Mama in April 2017 in the PRC. As of the Latest Practicable Date, it remained wholly owned by Meitun Mama with a registered capital of RMB1 million, and held the technology research and development center of the Group.

Consolidated Affiliated Entity

Zhongming was established in March 2006 in the PRC and was acquired by Mr. Wang from an Independent Third Party in January 2007. Since its acquisition and up to the Latest Practicable Date, it has been holding an ICP license with a focus on the provision of Internet content services. For changes in the shareholding of Zhongming, see “Our Shareholding and Corporate Structure — Earlier Corporate Restructuring and Financing” and “Pre-IPO Reorganization” in this section.

Major Acquisitions and Disposals

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers.

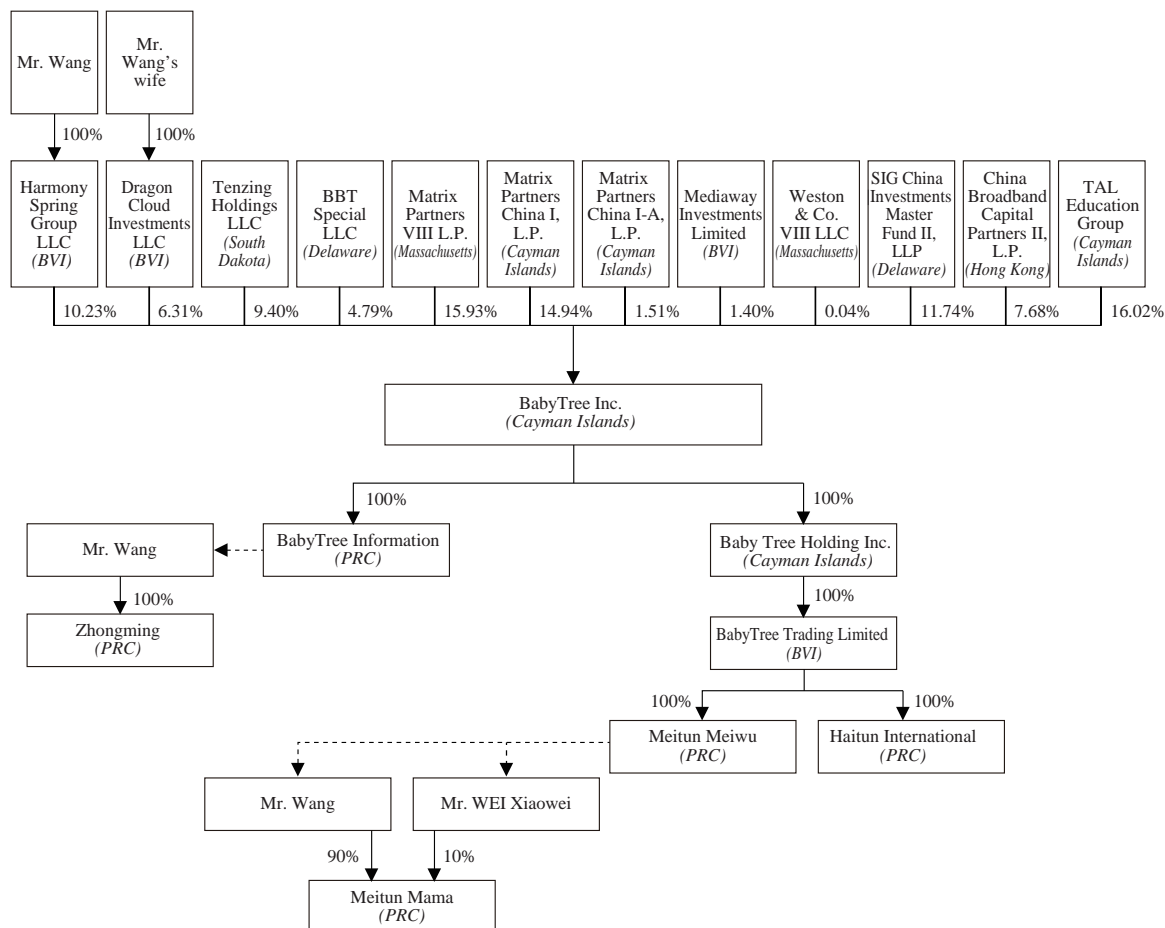
OUR SHAREHOLDING AND CORPORATE STRUCTURE

Background Relating to the Previous VIE Structure

We set up and began to operate our business under the Previous VIE Structure prior to the commencement of the Track Record Period. Our Previous VIE Structure was composed of two sets of contractual arrangements: (i) contractual arrangements between BabyTree Information and Mr. Wang, who was the sole shareholder of Zhongming, under which Zhongming was the operating company that held an ICP license; and (ii) contractual arrangements between Meitun Meiwu and Mr. Wang and Mr. WEI Xiaowei, who were shareholders of Meitun Mama, under which Meitun Mama was the operating company that held an EDI license. We operated our business under the Previous VIE Structure until

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

it was structurally dismantled through equity transfers in respect of the respective operating companies completed in September 2016 as part of the Earlier Corporate Restructuring. Set forth below is a chart illustrating the corporate structure under the Previous VIE Structure:



Note: “ \longrightarrow ” denotes direct and legal beneficial ownership in the equity interest and “ \dashrightarrow ” denotes a contractual relationship.

Earlier Corporate Restructuring and Financing

Since 2015, based on our then strategic plan to pursue other financing opportunities in the PRC, we underwent the Earlier Corporate Restructuring to shift the holding company of our Group to a PRC entity and dismantle our Previous VIE Structure, which laid the foundation of our current shareholding structure. Major steps during the Earlier Corporate Restructuring are as follows:

(1) Establishment of Employee Shareholding Platforms

Historically, we adopted an Employee Shareholding Scheme (as defined below) in order to incentivize our Directors, senior management and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of our Group. On December 21, 2015, each of Ningbo Zhishan, Ningbo Honghu, Ningbo Baoshu and Ningbo Bowen, our previous

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employee shareholding platforms, entered into an equity interest transfer agreement with Mr. Wang, pursuant to which Mr. Wang transferred approximately 11.77%, 2.84%, 2.81% and 1.37% equity interest in Zhongming to Ningbo Zhishan, Ningbo Honghu, Ningbo Baoshu and Ningbo Bowen for a cash consideration of RMB1,176,520, RMB283,530, RMB281,110 and RMB136,840, respectively. The consideration was determined based on the then registered capital of Zhongming. The transfer was completed on January 27, 2016. Prior to our Earlier Corporate Restructuring, BabyTree Inc. had adopted an employee shareholding scheme (the “**Employee Shareholding Scheme**”), the eligible grantees of which included certain of our Directors and members of senior management. Due to the then anticipated corporate restructuring of our Group, no shares of BabyTree Inc. had been allocated to our employees under the Employee Shareholding Scheme. Moreover, BabyTree Inc. ceased to be the holding company of our Group following the Earlier Corporate Restructuring, and the equity transfers described above were implemented to reserve shares in Zhongming through the employee shareholding platforms and allocate to the eligible grantees shareholding interests in the stipulated proportion pursuant to the Employee Shareholding Scheme. As of the Latest Practicable Date, Ningbo Zhishan, Ningbo Honghu and Ningbo Baoshu were Registered Shareholders of Zhongming⁽¹⁾ and there were no outstanding shares to be subscribed for under the Employee Shareholding Scheme. The Employee Shareholding Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

As of the Latest Practicable Date, 10, 31, 2 and 2 employees had entered into partnership agreements with Ningbo Zhishan, Ningbo Honghu, Ningbo Baoshu and Ningbo Bowen, respectively. Mr. XU Chong, one of our executive Directors, is the general partner of Ningbo Zhishan, Ningbo Honghu and Ningbo Bowen, and Mr. Wang is the general partner of Ningbo Baoshu and a limited partner of Ningbo Bowen. Save as disclosed above, there are no interests of Directors that are required to be disclosed under the Employee Shareholding Scheme. See “Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—1. Directors—(i) Disclosure of Interests” in Appendix IV to this Prospectus for details of interests held by the Directors.

(2) First Round Pre-IPO Investment of Our Group

During the period from June 2015 to March 2016, each of Reemake Media, Shenzhen Huagai, Gongqingcheng Heyu, Beijing Shuanghu, Qianhe Investment, Yifangda, Shanghai Chuangji, Suzhou Yumei Zhonghe and Tianjin Feizhu invested into our Group by way of entering into a loan agreement with Zhongming, and the loan amount provided was all repaid in or before October 2016. On September 8, 2016, Reemake Media, Shenzhen Huagai, Gongqingcheng Heyu, Beijing Shuanghu, Qianhe Investment, Shanghai Shitian (an entity designated by Yifangda), Shanghai Chuangji, Suzhou Yumei Zhonghe and Tianjin Feizhu subscribed for approximately 17.69%, 8.84%, 5.26%, 4.50%, 4.50%, 3.75%, 2.25%, 2.25% and 0.75% equity interest in Zhongming for a consideration of RMB351,550,469, RMB175,775,235, RMB66,151,970, RMB56,701,689, RMB56,701,689, RMB47,251,407, RMB28,350,844, RMB28,350,844 and RMB9,450,281, respectively. Mr. SHAO Zhenping subscribed for approximately 7.78% equity interest in Zhongming for a consideration of

Note:

⁽¹⁾ On October 17, 2016, Ningbo Bowen transferred its equity interests in Zhongming to Ningbo Danfu and ceased to be a shareholder of Zhongming.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

RMB28,350,844. The considerations were determined based on arm's-length negotiation between and among the relevant parties. The transfers were completed on September 20, 2016. This round of financing constitutes the first round Pre-IPO investment of our Group (the “**First Round Financing**”).

Set forth below is a table showing shareholding percentages upon completion of the First Round Financing:

No.	Name of Shareholder	Shareholding in Zhongming upon completion of the First Round Financing	Equity interest in Zhongming upon completion of the First Round Financing
1	Mr. Wang	34.46%	RMB8,122,000
2	Reemake Media	17.69%	RMB4,168,700
3	Shenzhen Huagai	8.84%	RMB2,084,300
4	Mr. SHAO Zhenping	7.78%	RMB1,833,400
5	Gongqingcheng Heyu	5.26%	RMB1,238,600
6	Ningbo Zhishan	4.99%	RMB1,176,520
7	Qianhe Investment	4.50%	RMB1,061,700
8	Beijing Shuanghu	4.50%	RMB1,061,700
9	Shanghai Shitian	3.75%	RMB884,700
10	Shanghai Chuangji	2.25%	RMB530,800
11	Suzhou Yumei Zhonghe	2.25%	RMB530,800
12	Ningbo Honghu	1.20%	RMB283,530
13	Ningbo Baoshu	1.19%	RMB281,110
14	Tianjin Feizhu	0.75%	RMB176,900
15	Ningbo Bowen	0.58%	RMB136,840
	Total	100%	RMB23,571,600

(3) *Second Round Pre-IPO Investment of our Group*

On October 17, 2016, certain shareholders of Zhongming conducted three equity transfers with respect to their equity interests in Zhongming based on arm's-length negotiations, which included: the transfer by Qianhe Investment of approximately 4.50% equity interest to Shanghai Zhangting, the transfer by Ningbo Zhishan of approximately 0.26% equity interest to Mr. Wang, and the transfer by Ningbo Bowen of approximately 0.58% equity interest to Ningbo Danfu. Such transfers were completed on November 7, 2016.

During the period from May to October 2016, Yadong Xinwei, Mr. Wang, Xinxin Xiangrong, Ningbo Zhaoyin, Tianjin Chenshan, Shanghai Chuangji, Qingdao Zhaojin, Hangzhou Binchuang, Beijing Haoweilai and Ningbo Danfu subscribed for approximately 24.00%, 10.00%, 7.91%, 3.75%, 3.71%, 3.19%, 1.19%, 0.94%, 0.75% and 0.49% equity interest in Zhongming for a consideration of RMB1,208,880,000, RMB503,700,000, RMB398,574,680, RMB189,005,629, RMB186,718,660, RMB160,654,784, RMB60,135,769, RMB47,251,407, RMB37,801,126 and RMB24,916,764, respectively. The considerations were determined based on arm's-length negotiations. The purchases were completed on November 7, 2016. This round of financing constitutes the second round Pre-IPO

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

investment of our Group (the “**Second Round Financing**”). For the shareholding structure of Zhongming upon completion of the Second Round Financing, please refer to the table after the paragraph headed “—(5) Repurchase of Shares of BabyTree Inc. Held by Investors” later in this section.

(4) Purchase of BabyTree Information by Zhongming and Meitun Meiwu by Meitun Mama

For the purpose of consolidating our business and pursuing other financing opportunities in the PRC, we conducted two equity transfers whereby the corporate structure under our Previous VIE Structure was dismantled. On the one hand, in July 2016, BabyTree Inc. transferred the entire equity interests of BabyTree Information to Zhongming for a consideration of approximately RMB2.8 billion, based on the then appraised value of BabyTree Information. Upon completion of the transfer in September 2016, BabyTree Information became a wholly-owned subsidiary of Zhongming. On the other hand, BabyTree Trading Limited transferred the entire equity interests of Meitun Meiwu and Haitun International to Meitun Mama for an aggregate consideration of RMB144 million in September 2016, based on the then appraised value of Meitun Meiwu and Haitun International. Upon completion of the transfer in September 2016, Meitun Meiwu became a wholly-owned subsidiary of Meitun Mama. Upon completion of the abovementioned equity transfers, BabyTree Inc. was no longer the holding company of our Group.

In November 2016, Mr. Wang and Mr. WEI Xiaowei transferred all the equity interests of Meitun Mama then held by them to Zhongming for a consideration of RMB4.5 million and RMB0.5 million, respectively, based on the registered capital of Meitun Mama. Upon completion of the transfer, Zhongming became the new holding company of our Group.

(5) Repurchase of Shares of BabyTree Inc. Held by Investors

After the completion of the Second Round Financing, in July 2017, BabyTree Inc. and the then shareholders of BabyTree Inc. entered into a series of share repurchase agreements, pursuant to which BabyTree Inc. repurchased all of its shares held by its investors. Upon completion of the repurchase and up to the Latest Practicable Date, BabyTree Inc. had been indirectly wholly-owned by Mr. Wang and his wife as to 61.83% and 38.17%, respectively, and it has not conducted any substantive business since then.

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After completion of the aforementioned reorganization steps, there were certain equity transfers among shareholders of Zhongming with respect to their equity interest in Zhongming before the Pre-IPO Reorganization. Set forth below is a table showing shareholding changes among such shareholders:

No.	Name of Shareholder	Shareholding % in Zhongming upon completion of the Second Round Financing	Equity interest in Zhongming upon completion of the Second Round Financing	Shareholding % in Zhongming immediately before the Pre-IPO Reorganization	Equity interest in Zhongming immediately before the Pre-IPO Reorganization
1	Mr. Wang	25.30%	RMB13,532,100	27.73%	RMB14,833,330
2	Yadong Xinwei	24.00%	RMB12,839,700	26.39%	RMB14,118,850
3	Xinxin Xiangrong	7.91%	RMB4,233,400	10.82%	RMB5,790,290
4	Reemake Media	7.79%	RMB4,168,700	7.79%	RMB4,168,700
5	Mr. SHAO Zhenping	3.43%	RMB1,833,400	5.08%	RMB2,718,100
6	Shanghai Chuangji	4.18%	RMB2,237,100	4.18%	RMB2,237,100
7	Shenzhen Huagai	3.90%	RMB2,084,300	3.90%	RMB2,084,300
8	Ningbo Zhaoyin	3.75%	RMB2,007,500	3.75%	RMB2,007,500
9	Ningbo Zhishan	2.09%	RMB1,116,320	1.97%	RMB1,055,090
10	Beijing Lujin	—	—	1.19%	RMB638,700
11	Mr. WANG Yawei	—	—	0.99%	RMB530,840
12	Beijing Shuanghu	1.99%	RMB1,061,700	0.99%	RMB530,840
13	Hangzhou Binchuang	0.94%	RMB501,900	0.94%	RMB501,900
14	Ningbo Danfu	0.75%	RMB401,500	0.75%	RMB401,500
15	Hangzhou Tongyuan	—	—	0.72%	RMB384,000
16	Ningbo Honghu	0.53%	RMB283,530	0.53%	RMB283,530
17	Ningbo Baoshu	0.53%	RMB281,110	0.53%	RMB281,110
18	Duiling Deqing Yumei	0.99%	RMB530,800	0.43%	RMB229,550
19	Shanghai Noah	—	—	0.38%	RMB200,750
20	Tianjin Dingmao	—	—	0.37%	RMB200,650
21	Ningbo Yimengweima	—	—	0.34%	RMB179,050
22	Tianjin Wuchen	—	—	0.19%	RMB100,600
23	Mr. WANG Changying	—	—	0.04%	RMB22,080
24	Shanghai Shitian	1.65%	RMB884,700	—	—
25	Gongqingcheng Heyu	2.32%	RMB1,238,600	—	—
26	Shanghai Zhangting	1.99%	RMB1,061,700	—	—
27	Beijing Haoweilai	0.75%	RMB401,500	—	—
28	Tianjin Chenshan	3.71%	RMB1,983,200	—	—
29	Qingdao Zhaojin	1.19%	RMB638,700	—	—
30	Tianjin Feizhu	0.33%	RMB176,900	—	—
	Total	100%	RMB53,498,360	100%	RMB53,498,360

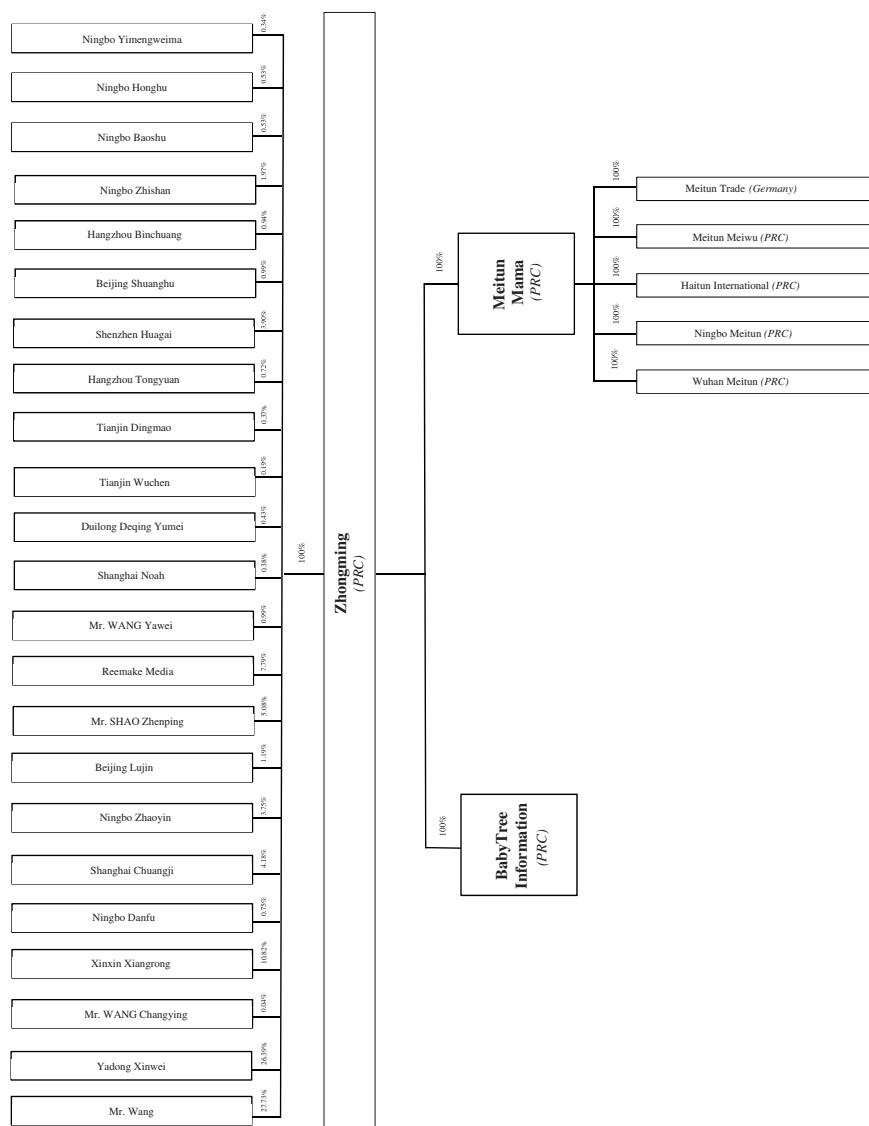
Our PRC Legal Advisors have confirmed that relevant approvals or filings have been obtained or made, as applicable, for the capital increases and equity transfers in the PRC in respect of Zhongming mentioned above and such capital increases and equity transfers have been properly completed in accordance with relevant PRC laws and regulations.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-IPO REORGANIZATION

Corporate Structure after Completion of The Second Round Financing and Immediately prior to The Pre-IPO Reorganization

The following chart sets forth a simplified corporate structure of our Group after completion of the Second Round Financing and immediately prior to the Pre-IPO Reorganization:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pre-IPO Reorganization

In preparation for the Global Offering, we underwent the following principal steps for the Pre-IPO Reorganization:

Step 1: Incorporation of offshore holding companies

On February 9, 2018, BabyTree BVI was incorporated in the BVI as a wholly-owned subsidiary of our Company. On February 24, 2018, one share of BabyTree BVI was allotted and issued to our Company at par.

On March 5, 2018, BabyTree Hong Kong was incorporated in Hong Kong as a wholly-owned subsidiary of BabyTree BVI. Upon its incorporation, the only one share of BabyTree Hong Kong was allotted and issued to BabyTree BVI at par.

Step 2: Subscription of Shares

On May 4, 2018, the respective offshore affiliates of all the then existing shareholders of Zhongming entered into a share subscription agreement with the Company, pursuant to which:

- Wang Family Limited Partnership⁽¹⁾, an offshore limited partnership set up by Mr. Wang and his wife, subscribed for 19,478,749 Shares, representing 27.73% of the then total share capital of the Company;
- Startree (BVI) Limited, an affiliate of Yadong Xinwei, subscribed for 18,540,431 Shares, representing 26.39% of the then total share capital of the Company. Startree (BVI) Limited is a wholly-owned subsidiary of Fosun International Limited;
- TAL Education Group, an offshore affiliate of Xinxin Xiangrong, subscribed for 7,603,474 Shares, representing 10.82% of the then total share capital of the Company;
- Jumei International, an offshore affiliate of Reemake Media, subscribed for 5,474,245 Shares, representing 7.79% of the then total share capital of the Company;
- Tenzing Holdings 2011, Ltd., an offshore wholly-owned company controlled and managed by a trust set up by Mr. SHAO Yibo, who is son of Mr. SHAO Zhenping, subscribed for 3,569,484 Shares, representing 5.08% of the then total share capital of the Company;

Note: (1) Wang Family Limited Partnership is an exempted limited partnership registered in the Cayman Islands in May 2018, and was set up by Golden Leaf Cayman Holdings Limited (as the general partner as to 0.01%), Golden Leaf Holdings Limited (as a limited partner as to 30%), Harmony Sky Holdings Limited (as a limited partner as to 30%) and Allen Wang Grantor Retained Annuity Trust (as a limited partner as to 39.99%). Golden Leaf Cayman Holdings Limited is a company wholly owned by Golden Leaf Holdings Limited, which is in turn wholly owned by Mr. Wang. Harmony Sky Limited is a company wholly owned by Mr. Wang's wife. Allen Wang Grantor Retained Annuity Trust is a trust set up by Mr. Wang for the benefits of his family members. Thus Mr. Wang is the largest shareholder of the Company.

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- Tembusu Nest Limited, an offshore affiliate of Shanghai Chuangji, subscribed for 2,937,804 Shares, representing 4.18% of the then total share capital of the Company;
- HG Capital China Growth Fund I LP, an offshore affiliate of Shenzhen Huagai, subscribed for 2,737,123 Shares, representing 3.90% of the then total share capital of the Company;
- CMFHK Alternative Opportunity Investment IV Limited, an offshore affiliate of Ningbo Zhaoyin, subscribed for 2,636,128 Shares, representing 3.75% of the then total share capital of the Company;
- Lush Forests Limited, an offshore affiliate of Ningbo Zhishan, Ningbo Baoshu and Ningbo Honghu, subscribed for 2,127,054 Shares, representing 3.03% of the then total share capital of the Company;
- Yuxin Shengtai Investments Limited, an offshore affiliate of Beijing Lujin, subscribed for 838,735 Shares, representing 1.19% of the then total share capital of the Company;
- Grand Genesis Enterprises Corporation, an offshore wholly-owned company of Mr. Wang Yawei, subscribed for 697,095 Shares, representing 0.99% of the then total share capital of the Company;
- Wu Capital Limited, an offshore affiliate of Beijing Shuanghu, subscribed for 697,095 Shares, representing 0.99% of the then total share capital of the Company;
- Bin Jiang (Hong Kong) Limited, an offshore affiliate of Hangzhou Binchuang, subscribed for 659,032 Shares, representing 0.94% of the then total share capital of the Company;
- Danfu Growth Limited, an offshore affiliate of Ningbo Danfu, subscribed for 527,223 Shares, representing 0.75% of the then total share capital of the Company;
- Tongjia Group, an offshore affiliate of Hangzhou Tongyuan, subscribed for 504,257 Shares, representing 0.72% of the then total share capital of the Company;
- Good Reputation of Zhonghe Ltd, an offshore affiliate of Duilong Deqing Yumei, subscribed for 301,676 Shares, representing 0.43% of the then total share capital of the Company;
- Iconic Towers of Zhonghe Ltd, an offshore affiliate of Tianjin Dingmao, subscribed for 263,613 Shares, representing 0.38% of the then total share capital of the Company;
- Joy Falcon Limited, an offshore affiliate of Shanghai Noah, subscribed for 263,613 Shares, representing 0.38% of the then total share capital of the Company;
- Evergreen Earth Limited, an offshore affiliate of Ningbo Yimengweima, subscribed for 235,177 Shares, representing 0.33% of the then total share capital of the Company; and

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- Good Day of Zhonghe Ltd, an offshore affiliate of Tianjin Wuchen, subscribed for 131,806 Shares, representing 0.19% of the then total share capital of the Company;
- Wingnou Investments Limited, an offshore wholly-owned company of Mr. Wang Changying, subscribed for 28,997 Shares, representing 0.04% of the then total share capital of the Company.

The aggregate amount of consideration for such subscriptions received by the Company was RMB2,718,553,903. Among the subscriptions set out above, the consideration paid by each of Wang Family Limited Partnership, Evergreen Earth Limited, Lush Forests Limited and CMFHK Alternative Opportunity Investment IV Limited was the par value of their respective subscribed Shares, the consideration paid by each of Startree (BVI) Limited, Jumei International, Yuxin Shengtai Investments Limited, Tembusu Nest Limited and HG Capital China Growth Fund I LP was based on the original investment amounts made by their respective onshore affiliates in Zhongming, and the consideration paid by each of the rest of the Shareholders was based on the registered capital of Zhongming subscribed by their respective onshore affiliates respectively.

In anticipation of the acquisition of BabyTree Information by Baby Tree Hong Kong as described in step 3 below, the Company and BabyTree BVI subscribed for one share of BabyTree BVI and BabyTree Hong Kong, respectively, for a consideration of RMB2,674,980,000.

Step 3: Acquisition of BabyTree Information by BabyTree Hong Kong

On March 7, 2018, Mr. LEE Chi Pang (李志鵬), who is an employee of BabyTree Information, entered into an equity transfer agreement with Zhongming, pursuant to which Mr. Lee Chi Pang purchased 1% equity interest in BabyTree Information for a consideration of RMB27,020,000. The consideration was determined based on a valuation report dated January 31, 2018 prepared by an independent valuer. Upon completion of the subscription on March 23, 2018, BabyTree Information became a sino-foreign joint venture enterprise.

On May 10, 2018, Zhongming and BabyTree Hong Kong entered into an equity transfer agreement, pursuant to which Zhongming transferred 99% equity interest in BabyTree Information to BabyTree Hong Kong for a consideration of RMB2,674,980,000. On the same day, Mr. Lee Chi Pang and BabyTree Hong Kong entered into another equity transfer agreement to transfer the other 1% equity interest in Zhongming to BabyTree Hong Kong for a consideration of RMB27,020,000, which was determined based on a valuation report dated January 31, 2018 prepared by an independent valuer. Upon completion of the transfer on May 10, 2018, BabyTree Information became a wholly-owned subsidiary of our Company.

Step 4: Acquisition of companies with minority equity interests held by Zhongming

In order to narrowly tailor our VIE structure, during the period from March to May 2018 and before completion of Step 3, Zhongming transferred its minority equity interests in certain PRC companies to BabyTree Information, including Beijing Qiyuji Culture and Media Co., Ltd. (北京奇育記文化傳媒有限公司) (held as to 25.00%), Beijing Qiming Changyuan Education Technology and

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Development Co., Ltd. (北京啟明長源教育科技發展有限公司) (held as to 13.34%), Shenzhen Beimei Hudong Technology Co., Ltd. (深圳貝美互動科技有限公司) (held as to 4.00%), Zhiqudezhihifenzi (Beijing) Media Co., Ltd. (智趣的知識分子(北京)傳媒有限公司) (held as to 3.88%) and Decaijiebei (Beijing) Technology Co., Ltd. (德才皆倍(北京)科技有限公司) (held as to 4.36%).⁽¹⁾

Step 5: Transfer of Meitun Mama to BabyTree Information

On May 9, 2018, in order to narrowly tailor our VIE structure, BabyTree Information entered into an equity transfer agreement with Zhongming, pursuant to which BabyTree Information purchased all equity interest in Meitun Mama, together with all the PRC subsidiaries of Meitun Mama, namely, Wuhan Meitun, Ningbo Meitun, Haitun International and Meitun Meiwu, for an aggregate consideration of RMB5 million, which was determined based on the registered capital of Meitun Mama. Such transfer was completed on the same day.

Step 6: Acquisition of Zhongming by the Registered Shareholders of Zhongming and Loan to Mr. Wang

For the purpose of providing further enhancement of our control over Zhongming under the Contractual Arrangements, and protecting the interest of our Shareholders as a whole after completion of the Listing, on June 1, 2018, Zhongming granted BabyTree Information a loan in the amount of RMB2,718,538,767.2, which in turn provided a loan in the same amount to Mr. Wang. The amount of the loan is with reference to the aggregate subscription price as described in step 2 above. The loan was provided to Mr. Wang to facilitate Mr. Wang's purchase of equity interests in Zhongming from certain shareholders of Zhongming. As of the Latest Practicable Date, Mr. Wang had fully utilized the amount of the loan, among which an aggregate of RMB63,393,845.6 was paid to Mr. WANG Yawei, Mr. WANG Changying, Mr. SHAO Zhenping and Beijing Lujin as advanced payment for their respective equity interests in Zhongming, and the remaining RMB2,655,144,921.6 was paid to other then existing shareholders to purchase their respective equity interests in Zhongming. Due to commercial considerations, Mr. WANG Yawei, Mr. WANG Changying, Mr. SHAO Zhenping and Beijing Lujin determined to remain as Registered Shareholders of Zhongming following the subscriptions of Shares by them or their affiliates. It is agreed that no further consideration will be payable to them when they exit Zhongming in the future. The loan to Mr. Wang is treated as deemed investment to Zhongming, and was used to purchase its shares from the other shareholders for the purpose of stabilizing the Group's corporate structure under the Contractual Arrangements, and was eliminated with the total equity of Zhongming when the consolidated financial statements of the Group was prepared.

Following the purchase above, on May 23, 2018, Lingheng Investment, an affiliate of Xinxin Xiangrong, subscribed for equity interest in Zhongming in the amount of RMB6,493,053, representing 10.82% of the total registered share capital of Zhongming, and became one of the Registered Shareholders of Zhongming. The change of investment vehicle was solely based on the business decision made by TAL Education Group.

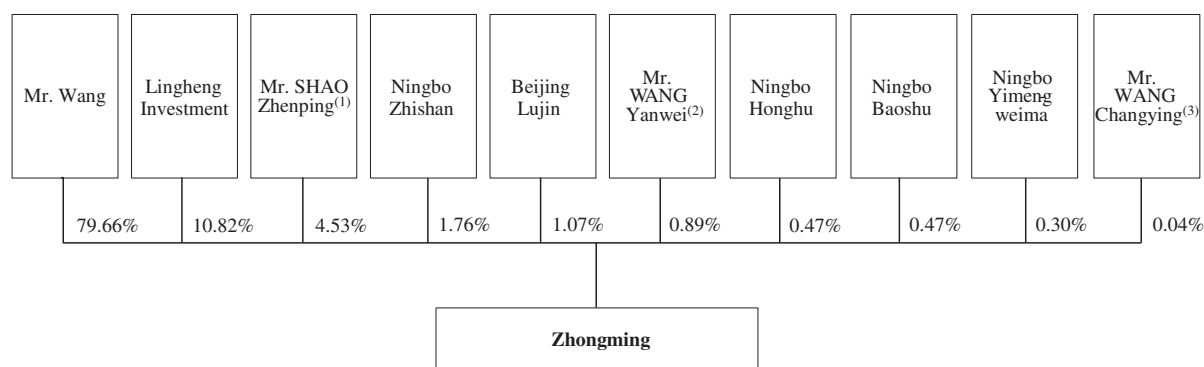
Note:

⁽¹⁾ Shareholding percentages described in this paragraph are as of the Latest Practicable Date.

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The current shareholding structure of Zhongming is determined based on arm's length negotiation among the then shareholders of Zhongming and the Group. On May 23, 2018, each of the Registered Shareholders of Zhongming executed an undertaking to the Group, pursuant to which, the Registered Shareholders undertook that they will not change their nationality or invite foreign investment, where applicable, so long as they remain as Registered Shareholders of Zhongming. Each of Lingheng Investment, Mr. WANG Yawei, Mr. WANG Changying, Mr. SHAO Zhenping and Beijing Lujin further undertook that, in the event that its offshore affiliate reduces or no longer holds interests in the Company, it will immediately transfer its equity interests in Zhongming to a person or entity designated by BabyTree Information in the same proportion without any further consideration.

Set forth below is a chart that illustrates the shareholding structure upon completion of the acquisition of Zhongming by the Registered Shareholders:



Notes:

- (1) Mr. SHAO Zhenping is father of Mr. SHAO Yibo, who is one of our non-executive Directors.
- (2) Mr. WANG Yawei is an Independent Third Party.
- (3) Mr. WANG Changying is one of our non-executive Directors.

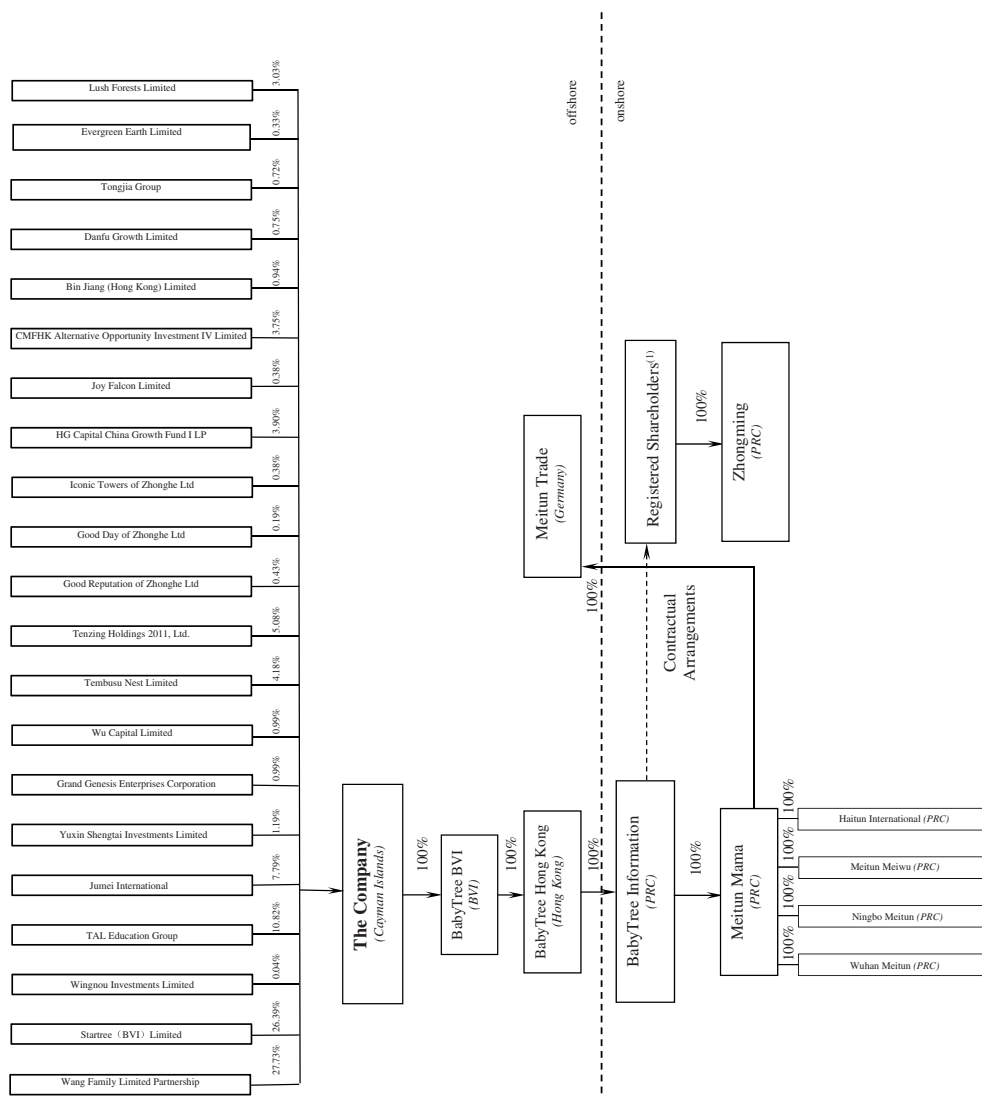
Step 7: The Contractual Agreements in respect of Zhongming

For the purpose of consolidating our interests in Zhongming, we effected a series of Contractual Arrangements among BabyTree Information and the Registered Shareholders of Zhongming, including mainly (i) an Exclusive Option and Equity Entrustment Agreement, (ii) an Exclusive Business Cooperation Agreement, (iii) an Equity Pledge Agreement, (iv) a Powers of Attorney, (v) a Spousal Undertaking made by the spouse of each of the individual shareholder of Zhongming and (vi) a Loan Agreement provided by BabyTree Information to Mr. Wang. See section headed “Contractual Arrangements” in this Prospectus for details of the Contractual Arrangements.

Our PRC Legal Advisors have confirmed that all material approvals in relation to the equity transfers in the PRC described above have been obtained and the procedures involved have been carried out in accordance with PRC laws and regulations.

Corporate Structure Immediately after The Pre-IPO Reorganization

The following chart illustrates a simplified corporate structure of our Group immediately after the Pre-IPO Reorganization:



Note:

(1) As at the Latest Practicable Date, the Registered Shareholders of Zhongming included Mr. Wang, Lingheng Investment, Mr. SHAO Zhenping, Ningbo Zhiishan, Beijing Lujin, Mr. WANG Yawei, Ningbo Honghu, Ningbo Baoshu, Ningbo Yimengweima and Mr. WANG Changying, who held the equity interests of Zhongming as to approximately 79.66%, 10.82%, 4.53%, 1.76%, 1.07%, 0.89%, 0.47%, 0.47%, 0.30% and 0.04%, respectively.

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VOTING AGREEMENTS

On September 10, 2018, each of Jumei International, Bin Jiang (Hong Kong) Limited (“**Bin Jiang**”) and Tenzing Holdings 2011, Ltd. (“**Tenzing**”) (each, a “**Principal Shareholder**”) entered into a voting agreement with Mr. Wang respectively (collectively, the “**Voting Agreements**” and each of them, the “**Voting Agreement**”). General terms of the Voting Agreement are set out as below:

Pursuant to the Voting Agreements, each of Jumei International, Bin Jiang and Tenzing granted Mr. Wang, as its true and lawful attorney, a voting proxy over all the Shares held by it (including any Shares to be allotted and issued pursuant to any capitalization issue, share split or allotment of Shares to existing Shareholders in proportion, collectively, the “**Proxy Shares**”).

Pursuant to the Voting Agreement, during the term of the agreement, Mr. Wang shall have the right to vote the Shares, in his sole discretion, on all matters submitted to a meeting of Shareholders or on written resolutions to be voted on by Shareholders except for matters in respect of which Mr. Wang or the Principal Shareholder is required to abstain from voting pursuant to the Listing Rules or any other applicable laws and rules.

The Voting Agreements shall become effective from the date of signing for a term of five years. When the Principal Shareholder decreases its shareholding or ceases to hold any Shares, the proxy in respect of the transferred shares would be terminated automatically upon such transfer.

Pursuant to the Voting Agreements, (i) each Principal Shareholder shall not exercise or transfer the rights attached to the Shares without the prior written consent of Mr. Wang; (ii) the Principal Shareholder shall not acquire any additional Shares in any form without prior written notice to Mr. Wang; further if as a result of such acquisition the concert parties may become obligated to extend a mandatory general offer in respect of all the Shares not held by them pursuant to Rule 26 of the Takeovers Code, such Principal Shareholder shall not acquire any Shares without the prior written approval from Mr. Wang.

The Voting Agreements further provided that Mr. Wang shall have no right to vote on (i) proposals in relation to privatization or delisting proposed by Mr. Wang or any of his affiliates; (ii) matters in respect of which Mr. Wang is required to abstain from voting pursuant to the Articles of Association of the Company or any other applicable laws and regulations, in which cases the Principal Shareholders will be entitled to exercise their voting rights in respect of the Proxy Shares on such matters.

Pursuant to the Voting Agreements, each Principal Shareholder reserves the right to withdraw from such voting arrangement if any such vote in the manner proposed by Mr. Wang would be expected to (i) violate or materially conflict with any laws, rules and regulations; (ii) abolish or limit or materially conflict with the Principal Shareholder’s shareholder rights conferred by relevant laws; or (iii) adversely affect the interests of the Company or the Principal Shareholders, or may cause the Principal Shareholder to be in material breach of or be in material conflict with its legal or contractual duties.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In addition to the above general terms, the Voting Agreement with Tenzing also provided that:

- the Voting Agreement shall terminate upon the occurrence of the following: (i) Mr. Wang acquired control of over 50% of the total number of Shares then in issue; (ii) Mr. Wang's shareholding decreases to 5% or less of the total number of Shares then in issue; (iii) the Company ceases to be listed on the Stock Exchange; (iv) a written agreement is entered into among the parties to terminate the Tenzing Agreement; (v) Mr. Wang commits any material breach of the Voting Agreement or has not carried out his obligations under the Voting Agreement and it is not remedied within ten days of notice of such breach; (vi) the death of Mr. Wang; or (vii) when Tenzing decreases its shareholding or ceases to hold any Shares, the proxy in respect of the transferred shares would be terminated automatically upon such transfer; and
- Mr. Wang shall have no right to vote on (a) matters relating to any notifiable transactions under Chapter 14 of the Listing Rules which require the approval of Shareholders; or (b) matters relating to any connected transactions under Chapter 14A of the Listing Rules which require the approval of Shareholders, in which cases Tenzing is entitled to exercise its voting rights on the Shares under proxy.

CAPITALIZATION ISSUE AND GLOBAL OFFERING

Our Company will allot and issue a total of 1,343,836,998 Shares credited as fully paid at par to the holders of Shares whose names appear on the register of members of our Company on or prior to the Listing Date in proportion to their existing shareholdings in our Company by capitalizing the sum of US\$134,383.7 from the share premium account of our Company. The Shares allotted and issued pursuant to the above Capitalization Issue will rank *pari passu* in all respects with the existing issued Shares.

PRE-IPO INVESTMENTS

Overview

During the period from May 2007 to January 2014, BabyTree Inc. underwent several rounds of financing under our Previous VIE Structure with a total of investment amount of approximately US\$40 million. The purpose of such financings was to improve our working capital for the needs of operation and development in the PRC.

In July 2017, in light of our then strategic plan to pursue other financing opportunities in the PRC, BabyTree Inc. repurchased all of its shares held by its investors. Upon completion of the repurchase, BabyTree Inc. was indirectly wholly owned by Mr. Wang and Ms. TANG Yu, who is Mr. Wang's wife, through their respective shareholding vehicles, being Harmony Spring Group LLC and Dragon Cloud Investments LLC, and ceased to conduct any substantive business. During the First Round Financing and Second Round Financing, some of such investors re-invested into our Group

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

through their respective onshore affiliates by subscribing for equity interest in Zhongming. Except for Tenzing Holdings LLC, which is the sole shareholder of Tenzing Holdings 2011, Ltd. and TAL Education Group, no other investors (or their affiliates) from these rounds of financing remained as our Shareholder as of the Latest Practicable Date.

Since September 2016, our Group underwent three rounds of Pre-IPO Investments, which are summarized below:

- **First Round Financing:** During the period from June 2015 to March 2016, each of Reemake Media, Shenzhen Huagai, Gongqingcheng Heyu, Qianhe Investment, Beijing Shuanghu, Yifangdang, Shanghai Chuangji, Suzhou Yumei Zhonghe and Tianjin Feizhu invested in our Group by way of entering into a loan agreement with Zhongming. The loan amount provided had been repaid in or before October 2016 by such investors or their designated entities. On September 8, 2016, each of such investors or their designated entities subscribed for equity interest in Zhongming in the same amount equivalent to the previous loan amount. Mr. SHAO Zhenping subscribed for approximately 7.78% equity interest in Zhongming on the same day.
- **Second Round Financing:** on October 17, 2016, each of Yadong Xinwei, Xinxin Xiangrong, Shanghai Chuangji, Ningbo Zhaoyin, Tianjin Chenshan, Qingdao Zhaojin, Hangzhou Binchuang, Beijing Haoweilai and Ningbo Danfu, purchased from the then existing shareholders of Zhongming or subscribed for a certain amount of equity interest in Zhongming.
- **Third Round Financing:** On May 28, 2018, Taobao China subscribed for 4,404,799 Shares for a consideration of US\$127,623,081. On the same date, Taobao China purchased 2,986,304 Shares from Jumei International for a consideration of US\$86,524,123. The Shares Taobao China subscribed for and purchased in aggregate represent approximately 9.90% of the enlarged total share capital of the Company upon the completion of such investment. The consideration was determined based on an arm's-length negotiation and was fully settled on May 29, 2018. This round of financing constitutes the third round Pre-IPO Investment of our Group (the “**Third Round Financing**”).

(1) *Principal terms of the Pre-IPO Investments*

The below table summarizes the principal terms of the Pre-IPO Investments:

	First Round Financing	Second Round Financing	Third Round Financing
Cost per Share paid by the Pre-IPO Investors ⁽¹⁾	US\$0.39/Share	US\$0.59/Share	US\$1.52/Share

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	First Round Financing	Second Round Financing	Third Round Financing
Unit price per Share × number of Shares then in issue following the respective round of financing	US\$230,191,247	US\$786,639,601	US\$2,163,103,214
Date on which investment was fully settled	September 20, 2016	November 7, 2016	May 29, 2018
Discount to the Offer Price ⁽²⁾	60.90%	40.84%	-52.40%
Use of Proceeds from the Pre-IPO Investments	The proceeds from the Pre-IPO Investments have been and will be used for general working capital for our Group. As of the Latest Practicable Date, approximately 68% of the proceeds from the Pre-IPO Investments had been utilized.		
Lock-up period	The Pre-IPO Investors are not subject to any lock-up pursuant to the May 28 Shareholders' Agreement (as defined below).		
Strategic benefits of the Pre-IPO Investments brought to our Group	At the time of the Pre-IPO Investments, our Directors were of the view that our Group could benefit from the Pre-IPO Investors' commitments to our Group as their investments demonstrated their confidence in the operation and development of the Group and served as an endorsement of our Group's performance and prospects.		

(2) *Rights of the Pre-IPO Investors*

In preparation of the Global Offering, we changed the holding company of our Group from Zhongming to the Company through the Pre-IPO Reorganization, upon completion of which all of the previous shareholders of Zhongming transferred their respective investments made through the first two rounds of financings from Zhongming to the Company through their respective offshore affiliates. A shareholders' agreement dated May 4, 2018 (the "**May 4 Shareholders' Agreement**") was entered into among our then Shareholders. In May 2018, Taobao China invested in our Company pursuant to the Third Round Financing. A new shareholders' agreement dated May 28, 2018 (the "**May 28**

Notes:

- (1) Assuming the Capitalization Issue has been completed.
- (2) Assuming the Offer Price is fixed at HK\$7.80, being the mid-point of the indicative Offer Price range, and based on the number of Shares in issue upon the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders' Agreement") was entered into among our Shareholders upon completion of the Third Round Financing, which superseded all the previous shareholders' agreement, including the May 4 Shareholders' Agreement. Set forth below are certain material special rights granted to our Pre-IPO Investors pursuant to the May 28 Shareholders' Agreement. Except for the redemption right, which was terminated one day before the submission of the initial Listing application of the Company to the Stock Exchange in accordance with the terms of the May 28 Shareholders' Agreement, other special rights granted to the Pre-IPO Investors will be terminated upon Listing:

- *Redemption right*

The investors have an option to require the Company to redeem all or any part of the Shares held thereby by giving notice in writing to the Company and/or the Founder to require the Company and/or the Founder, within 45 business days from the notice, to repurchase, or cause another third party to purchase, or cause the Company to redeem, all Shares held by the investors, if (i) the Company has not initiated a qualified IPO ("**Qualified IPO**", means an initial public offering which shall have taken place before October 2020 on an eligible stock exchange at a valuation more than a specific amount or otherwise agreed by the relevant shareholders, as defined in the May 28 Shareholders' Agreement) and completed its listing on the Stock Exchange or other internationally well-known stock exchange prior to October 17, 2020, with total market capitalization prior to such listing not less than certain amount, or (ii) the Company or the Founder materially breaches their obligations under the agreement.

- *Prior consent on decrease in the Founder's shareholding*

Without prior consent from Startree (BVI) Limited, the Founder shall not sell, transfer, grant, pledge Shares held by him, or in any other forms that may cause his shareholding in the Company to decrease directly or indirectly.

- *Pre-emptive Right*

If the Company or any member of the Group conducts financing by way of capital increase or in other financing forms, each of the investors has an option to subscribe for the Shares, in proportion to its shareholding in the Company, at the same price, terms and conditions.

- *Transfer restriction and right of first refusal*

A shareholder can only transfer its Shares to other parties (except for transfer among shareholders or to any affiliate of other shareholders) with consent from a majority of other shareholders, and the dissenting shareholders shall be obliged to acquire the Shares from the transferring shareholder on the same term and condition as the proposed third-party transfer.

- *Right of co-sale*

In case the Founder is to transfer all or any part of his Shares to any third party and if any of other investors does not exercise its right of first refusal as to the offered Shares to the third party, the investors have the right to sell Shares held by them to such third party, in proportion to their respective shareholding, at the same price, terms and conditions offered by the Founder.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- *Liquidation and financial compensation right*

In the event of any liquidation, dissolution or winding up of the Company (including any customary deemed liquidation events), the investors shall be entitled to the compensation with the amount distributed to the Founder due to the liquidation, until the investors have recovered their respective total capital contribution to the Company and the unpaid dividends, if the investors are unable to recover the said amount before such compensation. Any liquidation event with an implied valuation of the Company less than certain amount shall be subject to the prior written consent of Taobao China.

- *Acquisition approval right*

When there is no Qualified IPO before October 17, 2020 and the Company fails to redeem the Shares as initiated by Startree (BVI) Limited, if a third party intends to acquire the Company's Shares or assets with a purchase amount in aggregate not less than certain amount, the Founder shall approve such transaction subject to Startree (BVI) Limited's prior consent.

- *Priority rights in cooperation*

Certain corporate actions to be approved by the shareholders' meeting of the Company are subject to prior consent of Startree (BVI) Limited (subject to its shareholding in the Company no less than 10%) and Taobao China, including (i) transfer of equity interest in the Company or its subsidiaries, or transfer of the intellectual properties that are material to the Company's business operation or enter into exclusive license agreement with other parties in respect to such intellectual properties; and (ii) material change of the principal business or future development plan of the Company.

- *Most-favored rights*

Startree (BVI) Limited is entitled to the same rights, including among others, the redemption right and other protective rights, that have been previously granted to other shareholders or investors.

- *Information and inspection right*

Startree (BVI) Limited has the right to receive information and inspect the original agreements relating to any equity transfer or capital increase of the Company since the date of its investment.

- *Veto rights*

Certain corporate actions of the Company require prior consent of Startree (BVI) Limited.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- *Directors nomination rights*

In the event that shareholding of Startree (BVI) Limited in the Company is not less than 10% (including 10%), Startree (BVI) Limited has the right to nominate two Directors and one independent non-executive Director to the Board, and such director nominated by Startree (BVI) Limited shall serve at the strategy committee (if applicable) of the Board. In the event that shareholding of Startree (BVI) Limited in the Company is less than 10%, it has the right to nominate one Director. TAL Education Group has the right to nominate one Director to the Board during the time it holds any Shares of the Company. Taobao China has the right to nominate one Director to the Board during the time it holds any Shares of the Company.

(3) *Information on the Pre-IPO Investors*

Startree (BVI) Limited

Startree (BVI) Limited is a wholly-owned subsidiary of Fosun International Limited, which is a company listed on the main board of the Stock Exchange (stock code: HK.0656) with its principal business to create C2M ecosystems in health, happiness and wealth.

Wingnou Investments Limited

Wingnou Investments Limited is an investment vehicle incorporated in the BVI and wholly owned by Mr. WANG Changying, who is a non-executive Director of the Company.

TAL Education Group

TAL Education Group is a company listed on the New York Stock Exchange (ticker symbol: TAL) and a leading K-12 after-school tutoring services provider in China. The largest shareholder of TAL Education Group is Bright Unison Limited, holding 37.5% of beneficial ownership with 73.5% of voting power in the total outstanding share capital of TAL Education Group, of which Mr. ZHANG Bangxin (張邦鑫) is the sole shareholder and the sole director.

Jumei International

Jumei International is a company listed on the New York Stock Exchange (ticker symbol: JMEI) and is primarily engaged in e-commerce of beauty products in the PRC. The majority shareholder of Jumei International is Super ROI Global Holding Limited, which is a business company incorporated in the BVI and beneficially owned by Mr. CHEN Ou through a trust.

Yuxin Shengtai Investments Limited

Yuxin Shengtai Investments Limited is a wholly-owned subsidiary of Luyin Trading Pte. Ltd., a company incorporated in Singapore and is principally engaged in trading of gold, silver, platinum and other related businesses. Luyin Trading Pte. Ltd. is ultimately controlled by Shandong Zhaojin Group Company Limited, which is also the ultimate controller of Qingdao Zhaojin. Shandong Zhaojin Group Company Limited is wholly owned by the people's government of Zhaoyuan City, Shandong Province.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Grand Genesis Enterprises Corporation

Grand Genesis Enterprises Corporation is an investment vehicle incorporated in the BVI and wholly owned by Mr. WANG Yawei (王亞偉).

WU Capital Limited

WU Capital Limited is an investment vehicle managed and controlled by TMF (Cayman) Ltd., which is the trustee of a family trust set up by the daughter of Ms. WU Yajun (吳亞軍), who is the sole shareholder of Beijing Shuanghu, one of the then shareholders of Zhongming.

Tembusu Nest Limited

Tembusu Nest Limited is a business company incorporated in BVI and is ultimately controlled by shareholders of Shanghai Chuangji, which is a limited partnership registered in the PRC and primarily engaged in business investment, and also is one of the then shareholders of Zhongming.

Tenzing

Tenzing is a business company incorporate in BVI and wholly owned by Tenzing Holdings LLC, which is in turn wholly owned by Tenzing Trust. Tenzing Trust is a discretionary, irrevocable, non-grantor trust set up by Mr. Shao Yibo, as settlor.

Good Reputation of Zhonghe Ltd., Good Day of Zhonghe Ltd. and Iconic Towers of Zhonghe Ltd.

Each of Good Reputation of Zhonghe Ltd., Good Day of Zhonghe Ltd. and Iconic Towers of Zhonghe Ltd. is a business company incorporated in the BVI with limited liability, and is directly owned by certain individuals who are also the shareholders of Duilong Deqing Yumei, Tianjin Wuchen and Tianjin Dingmao, respectively, all of which are the then shareholders of Zhongming.

HG Capital China Growth Fund I LP

HG Capital China Growth Fund I LP is an investment vehicle established by CSI Capital Management Limited, and is mainly engaged in asset management and investment consultation. CSI Capital Management Limited in turn is a wholly-owned subsidiary of CITIC Securities Company Limited, a well-known investment company listed on the Shanghai Stock Exchange (stock code: 600030).

Joy Falcon Limited

Joy Falcon Limited is a business company incorporated in the BVI and wholly owned by Noah Holdings Limited, which is a company listed on the New York Stock Exchange (ticker symbol: NOAH).

CMFHK Alternative Opportunity Investment IV Limited

CMFHK Alternative Opportunity Investment IV Limited is a company incorporated in the Cayman Islands and a wholly owned subsidiary of China Merchants Asset Management (Hong Kong) Company Limited, which is in turn wholly owned by China Merchants Fund Management Company Limited (招商基金管理有限公司).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Bin Jiang

Bin Jiang is a company incorporated in Hong Kong and primarily engaged in overseas investment. It is a wholly-owned subsidiary of Hangzhou Binjiang Property Group Co., Ltd. (杭州濱江房產集團股份有限公司) with principal business of property development and sales, the majority shareholder of which is Hangzhou Binjiang Investment Holdings Co., Ltd. (杭州濱江投資控股有限公司) with principal business of investment and financial consultation. Hangzhou Binjiang Investment Holdings Co., Ltd. is ultimately controlled by three individuals, among whom Mr. Qi Jinxing (戚金興) is the largest shareholder and holds approximately 64% equity interest in it as of the Latest Practicable Date.

Danfu Growth Limited

Danfu Growth Limited is a company incorporated in the BVI with limited liability, which is ultimately owned by 13 individuals who are also shareholders of Ningbo Danfu. As of the Latest Practicable Date, the two largest shareholders of Danfu Growth Limited, namely LI Ying and LI Liangang, both of whom are Independent Third Parties, holds approximately 28% and 22% of its equity interest, respectively.

Tongjia Group

Tongjia Group is a company incorporated in the Cayman Islands with limited liability, and is directly owned by certain individuals who owned Hangzhou Tongyuan, which is one of the then shareholders of Zhongming.

Evergreen Earth Limited

Evergreen Earth Limited is an offshore affiliated company of Ningbo Yimengweima and has the same shareholding structure as Ningbo Yimengweima. As of the Latest Practicable Date, it had 18 shareholders, including 15 employees of our Group and three Independent Third Parties. Among the 15 employees, Mr. XU Chong, one of our Directors, holds as to approximately 3.47% of its equity interests. No other Directors held any interests in Evergreen Earth Limited as of the Latest Practicable Date.

Taobao China

Taobao China is an indirectly wholly-owned subsidiary of Alibaba Group Holding Limited, which is a company listed on the New York Stock Exchange (ticker symbol: BABA), and is the holding company of certain subsidiaries relating to Taobao Marketplace.

(4) Public Float

Startree (BVI) Limited will be interested in approximately 18.63% of the total share capital of the Company immediately following the Global Offering (assuming the Over-allotment Option is not exercised) and will be a substantial shareholder and therefore a connected person of our Company upon the Listing. The Shares held by Startree (BVI) Limited will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Global Offering.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Wingnuo Investments Limited is a wholly-owned company of Mr. WANG Changying, who is a non-executive Director of the Company, and thus the Shares held by Wingnuo Investments Limited will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Global Offering.

Each of Tenzing, Jumei International and Bin Jiang entered into a voting proxy agreement with Mr. Wang respectively on September 10, 2018, pursuant to which each of Tenzing, Jumei International and Bin Jiang has granted Mr. Wang a voting proxy over all the Shares held by it, and thus Shares held by Tenzing, Jumei International and Bin Jiang will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Global Offering.

Other than the Shares held by Startree (BVI) Limited, Wingnuo Investments Limited, Tenzing, Jumei International and Bin Jiang, Shares held by other Pre-IPO Investors will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Global Offering.

Save as disclosed above, to our Directors' best knowledge, each of the other Pre-IPO Investors is independent from the Company and its connected persons.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application, to the Stock Exchange and (ii) the special rights granted to the Pre-IPO Investors will terminate upon the Listing, the Joint Sponsors have confirmed that the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

SAFE REGISTRATION IN THE PRC

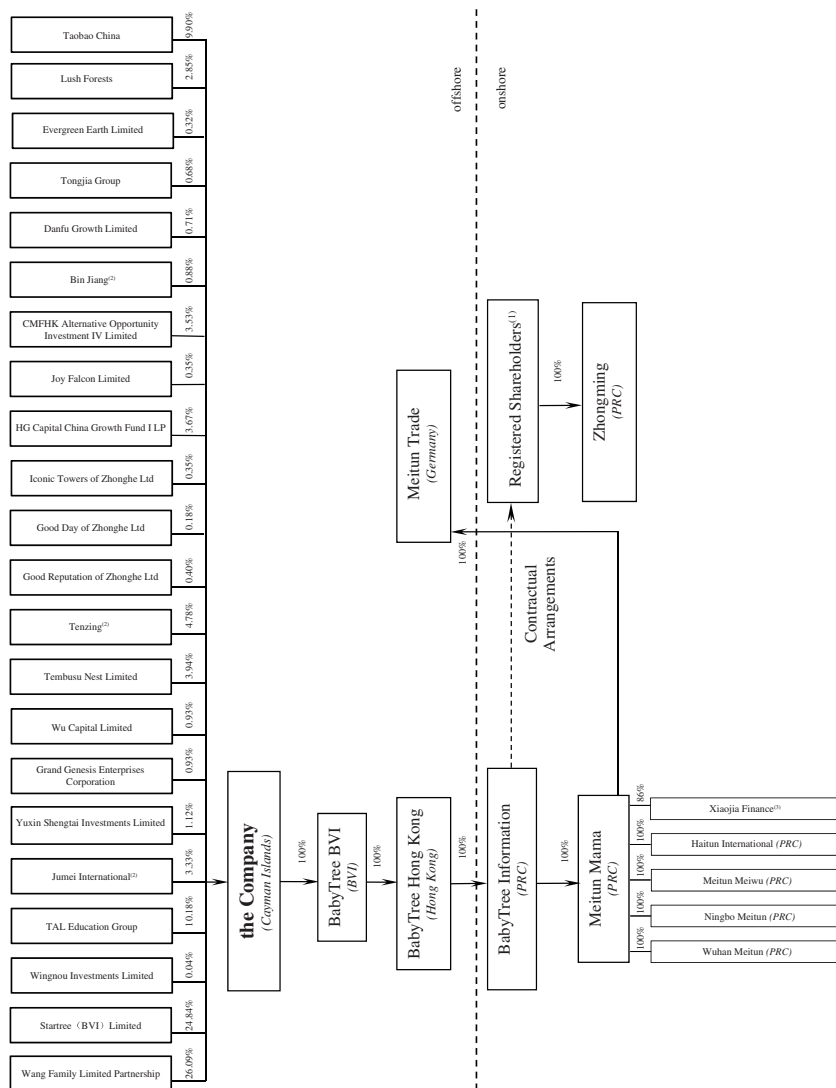
Pursuant to SAFE Circular 37, promulgated by SAFE and became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”), promulgated by SAFE and becoming effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, our Shareholders (as PRC Residents as defined under the applicable provisions under SAFE Circular 37) have completed the registration under the SAFE Circular 37 as of May 2018.

CORPORATE STRUCTURE AFTER COMPLETION OF THE THIRD ROUND FINANCING AND IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

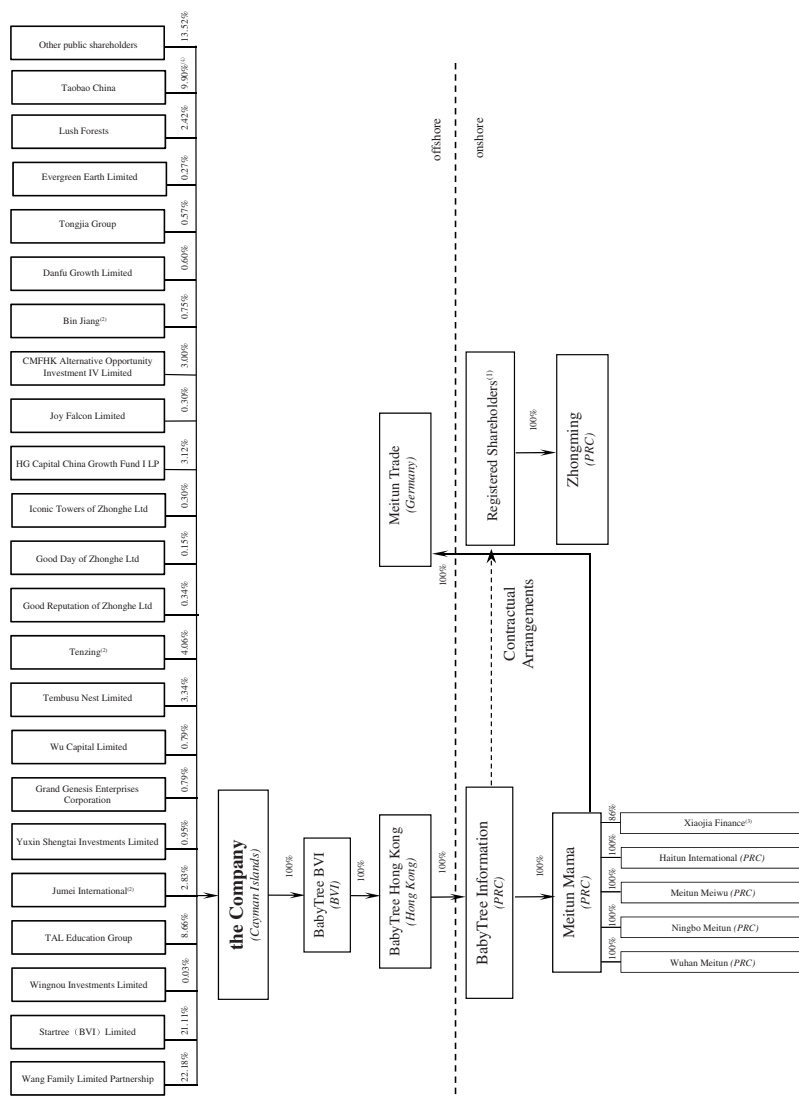
The following chart illustrates our corporate structure after completion of the Third Round Financing and immediately prior to the completion of the Global Offering:



- (1) As at the Latest Practicable Date, the Registered Shareholders of Zhongming included Mr. Wang, Lingheng Investment, Mr. SHAO Zhenping, Ningbo Zhishan, Beijing Lujin, Mr. WANG Yawei, Ningbo Honghu, Ningbo Baoshu, Ningbo Yimengwima and Mr. WANG Changying, who held the equity interests of Zhongming as to approximately 79.66%, 10.82%, 4.53%, 1.76%, 1.07%, 0.89%, 0.47%, 0.47%, 0.30% and 0.04%, respectively.
- (2) Each of Tenzing, Jumei International and Bin Jiang entered into a voting proxy agreement with Mr. Wang respectively on September 10, 2018, pursuant to which each of Tenzing, Jumei International and Bin Jiang has granted Mr. Wang a voting proxy over all the Shares held by it. See "Voting Agreements" in this section for details.
- (3) Xiaojia Finance is owned as to 86% by Meituan Mama, and as to 8%, 5%, 7% and 0.3% by Chongqing Zhongnan Microcredit Co., Ltd. (重慶眾安小額貸款有限公司), Zhangyingbao (Shanghai) Network Technology Co., Ltd. (掌星寶(上海)網絡科技有限公司) and Ningbo Xingtu Industrial Investment LLP (limited partnership) (寧波星途實業投資合夥企業(有限合夥)), which are Independent Third Parties, respectively.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE CAPITALIZATION ISSUE AND THE GLOBAL OFFERING

The following chart illustrates our corporate structure immediately following the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised:



As at the Latest Practicable Date, the Registered Shareholders of Zhongming included Mr. Wang, Lingheng Investment, Mr. SHAO Zhenping, Ningbo Zhishan, Beijing Lujin, Mr. WANG Yawei, Ningbo Honghu, Ningbo Baoshu, Ningbo Yimengwala and Mr. WANG Changying, who held the equity interests of Zhongming as to approximately 79.66%, 10.82%, 4.53%, 1.76%, 1.07%, 0.89%, 0.47%, 0.47%, 0.30% and 0.04%, respectively.

- (2) Each of Tenzing, Jumei International and Bin Jiang entered into a voting proxy agreement with Mr. Wang respectively on September 10, 2018, pursuant to which each of Tenzing, Jumei International and Bin Jiang granted Mr. Wang a voting proxy over all the Shares held by it. See "Voting Agreements" in this section for details.
- (3) Xiaojia Finance is owned as to 86% by Meituan Mama, and as to 8%, 7% and 0.3% by Chongqing Zhongnan Microcredit Co., Ltd. (重慶眾安小額貸款有限公司), Zhangxingbao (Shanghai) Network Technology Co., Ltd. (掌星寶(上海)網絡科技有限公司) and Ningbo Xingtu Industrial Investment LLP (limited partnership) (寧波星途實業投資合夥企業(有限合夥)), which are Independent Third Parties, respectively.
- (4) The shareholding percentage of Taobao China includes the maximum number of Shares that can be subscribed by Taobao China as a placee in the Global Offering, being 24,781,500 Shares, by exercising the anti-dilution option granted to Taobao China pursuant to the pre-existing contractual arrangement between Taobao China and the Company pursuant to the May 28 Shareholders' Agreement.
- (5) Other than the Shares held by Wang Family Limited Partnership, Startree (BVI) Limited, Wingnuo Investments Limited, Tenzing, Jumei International and Bin Jiang, Shares held by other existing Shareholders will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Global Offering.

REGULATORY OVERVIEW

This section sets forth a summary of the PRC laws and regulations that may materially 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 September 25, 2000 and amended on February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. Telecommunication Regulations also set forth guidelines on various aspects of the telecommunications operations in the PRC. The Catalog of Telecommunications Business (電信業務分類目錄), which was promulgated by the Ministry of Information Industry of the PRC (the “**MI**,” the predecessor of MIIT) on February 21, 2003 and amended by the MIIT on December 28, 2015 and became effective on March 1, 2016, provides that information services provided via public communication networks, such as fixed networks, mobile networks and the Internet, are value-added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunications service provider in the PRC must obtain an operating license from the MIIT or its provincial-level counterparts prior to the commencement of their operations.

The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (the “**Internet Measures**”), which were promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, regulate Internet information services. According to the Internet Measures, “Internet information services” refer to services that provide information to online users via the Internet, and are categorized as either commercial services or non-commercial services. Commercial service providers of Internet information shall obtain the ICP license from the telecommunications administration authorities at the provincial, autonomous regional or municipal level or the MIIT before engaging in any commercial Internet information services in the PRC. Besides, the Internet Measures and other relevant measures also prohibit Internet activities that disseminate any content that, among others, propagates obscenity, pornography, gambling and violence, incites crimes or infringes upon the lawful rights and interests of third parties. If an Internet information service provider detects information transmitted on its 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 license or the closing of its website, when serious violation is committed.

On March 1, 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 April 10, 2009 and were amended on July 3, 2017. The Telecom License Measures, which are formulated in accordance with the Telecommunications Regulations, set forth the

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types of licenses required for providing telecommunications services in the PRC, and the procedures and requirements for obtaining such licenses, including ICP and EDI licenses. According to the Telecom License Measures, telecommunications operators shall report some basic information to the issuing authorities through the Administrative Platform in the first quarter every year.

Internet mobile apps and Internet mobile app stores are regulated by the Administrative Provisions on Mobile Internet Applications Information Services (移動互聯網應用程序信息服務管理規定) (the “**App Provisions**”), which were promulgated by the CAC on June 28, 2016 and became effective on August 1, 2016. The App Provisions set forth that app providers and app store service providers shall neither make use of the apps to conduct any activity detrimental to national security, social order or any individual’s lawful rights and interests, nor take advantage of the apps to produce, duplicate, publish or disseminate any information prohibited by relevant laws and regulations. The App Provisions also re-address personal information protection and add verification as well as record-filing requirements with respect to the app providers.

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

The Guiding Catalog for Foreign Investment Industries (amended in 2017) (外商投資產業指導目錄 (2017年修訂)) was jointly promulgated by NDRC and MOFCOM on June 28, 2017 and became effective on July 28, 2017 and the Special Administrative Measures for Access of Foreign Investment (the “**Negative List**”) (Edition 2018) (外商投資准入特別管理措施(負面清單)(2018年版)) were jointly promulgated by NDRC and MOFCOM on June 28, 2018. Accordingly, a foreign investor may acquire up to 50% of the equity interests in a PRC entity that provides value-added telecommunications services (excluding e-commerce) and is prohibited from participating in the business of online audio-visual programs and Internet culture (except for music).

Pursuant to the Administrative Provisions for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) (“**FITE Administrative Provisions**”) promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, foreign investors’ capital contribution to any entity in the PRC providing value-added telecommunications services shall not exceed 50%. Additionally, a foreign investor who invests in value-added telecommunications enterprises operating value-added telecommunications business in the PRC must have a good track record and previous 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 discretion in granting approvals for foreign investors’ commencement of value-added telecommunication business in the PRC. Foreign investors shall obtain approvals both from the MIIT and the competent commerce department of the people’s government.

On July 13, 2006, the MII 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 “**MII Notice**”). The MII Notice prohibits ICP license holders from leasing, transferring or selling their ICP licenses to any foreign investors in any form, or providing any resources, sites, facilities or other assistance to foreign investors for illegal telecommunications

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businesses in the PRC. The MII Notice requires that ICP license holders or their shareholders must directly and legally own the domain names and registered trademarks used by such license holders in their ICP-related services. The MII Notice further requires that each license holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its ICP license.

On June 19, 2015, MIIT issued the Circular on Loosening the Restrictions on Shareholding by Foreign Investors in Online Data Processing and Transaction Processing Business (Operational E-commerce) (關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告) (“**Circular No. 196**”). Circular No. 196 allows a foreign investor to hold 100% of the equity interest in a PRC entity that provides online data processing and transaction processing services (“**operational e-commerce**”). In respect of the application for an EDI license for any FIE engaging in operational e-commerce, the requirements for the proportion of foreign equity are governed by the Circular No. 196 while other requirements and approval procedures are subject to the FITE Administrative Provisions.

LAWS AND REGULATIONS IN RELATION TO INTERNET AUDIO-VISUAL PROGRAM SERVICES

On February 17, 2011, MOCT promulgated the Provisional Regulations for the Administration of Internet Culture (互聯網文化管理暫行規定) (the “**Internet Culture Regulations**”), which became effective on July 1, 2003 and was latest amended on December 15, 2017. According to the Internet Culture Regulations, the approval from local cultural authority at provincial level is required for establishing a commercial Internet cultural entity. The local cultural authorities shall make the decision within 20 days as of the date of receipt of the application for approval. If the application is approved, an Online Culture Business Permit shall be issued to the applicant and be publicized. And the Online Culture Business Permit remains effective for three years. To continue carrying out such business upon expiration, the holder shall apply for renewal of such permit 30 days prior to expiration.

On December 20, 2007, the State Administration of Radio, Film and Television (the “**SARFT**”, the predecessor of SART) and the MII promulgated the Administrative Regulations on Internet Audio-Visual Program Services (互聯網視聽節目服務管理規定) (the “**Internet Audio-Visual Program Services Regulations**”). The Internet Audio-Visual Program Services Regulations became effective on January 31, 2008 and was amended on August 28, 2015. Pursuant to the Internet Audio-Visual Program Services Regulations, Internet audio-visual program services refer to activities of making, redacting and integrating audio-visual programs, providing them to the general public via the Internet, and providing platforms for uploading and spreading audio-visual programs. Subject to the Internet Audio-Visual Program Services Regulations, an Internet audio-visual program service provider shall obtain the Permit for Spreading Audio-Visual Programs via Information Network issued by the SARFT, or complete the filing procedures with the SARFT.

REGULATIONS IN RELATION TO PUBLICATION

Publication in the PRC is mainly regulated by the Administrative Regulations on Publication (出版管理條例), which was promulgated by the State Council on January 2, 1997 and latest amended on February 6, 2016, and the Administrative Provisions on the Publication Market (出版物市場管理規

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定), which was jointly issued by the SART and the MOFCOM on May 31, 2016. Publication distribution, including publication wholesale or retail activities, shall be carried with the publication operation license. Without the license, the operation of such entity or individual may be terminated by the competent administrative department of publication. Such entity or individual may also receive a warning or be subject to a fine.

LAWS AND REGULATIONS IN RELATION TO INFORMATION SECURITY AND PRIVACY PROTECTION

On November 7, 2016, SCNPC promulgated the Cyber Security Law of the PRC (中華人民共和國網絡安全法), which became effective on June 1, 2017. Pursuant to the Cyber Security Law, Internet operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the Internet when conducting business and providing services. Those who provide services through the Internet shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the Internet, respond to Internet security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of Internet data, and the Internet operator shall not collect personal information irrelevant to its services, or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and Internet operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC.

In December 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (關於加強網絡信息保護的決定) to enhance the legal protection of information security and privacy on the Internet. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (電信和互聯網用戶個人信息保護規定) to regulate the collection and use of users' personal information in the provision of telecommunication services and Internet information services in China. Pursuant to these regulations, personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user.

LAWS AND REGULATIONS IN RELATION TO OVERSEAS INVESTMENT

On July 4, 2014, the SAFE promulgated SAFE Circular 37. Pursuant to SAFE Circular No. 37, the SAFE and its branches regulate the establishment of Special Purpose Vehicles (“SPV”) by domestic residents. “Domestic residents” include domestic institutions and domestic individual residents, which include, 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 SPV, a domestic resident shall apply to the SAFE for foreign exchange registration of overseas investment. Where a registered overseas SPV undergoes changes of its domestic resident individual shareholders, name, operating period or other basic information, or experiences substantial changes, including but not limited to, the increase or reduction of registered capital by domestic resident individuals, transfer or replacement of equity and merger or split, the SPV shall go through modification registration of foreign exchange for overseas investment with the SAFE.

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Where a non-listed SPV 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 labor relationships with the aforesaid company, relevant domestic resident individuals may, before exercising their rights, apply to the SAFE for foreign exchange registration of the SPV. Failure to comply with the registration procedures set forth in the SAFE Circular No. 37 may result in penalties under PRC foreign exchange administration regulations.

Pursuant to Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), which was promulgated on February 13, 2015 and implemented on June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

On December 26, 2017, the NDRC promulgated the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法), which became effective on March 1, 2018. Pursuant to the Administrative Measures for the Outbound Investment of Enterprises, outbound investment refers to the investment activities conducted by an enterprise located within the territory of the PRC either directly or via an overseas enterprise under its control. Such control of an overseas enterprise can be obtained through making investment with assets and equities or providing financing or a guarantee to obtain overseas ownership, control rights, business management rights and other related equities. To make outbound investment, investors shall go through the formalities to have a proposed overseas investment project approved or filed on the record, report relevant information, and cooperate with relevant governmental authorities' supervision and inspection. Governmental approval is required for sensitive projects carried out by investors either directly or through overseas enterprises under their control. Governmental registration is required for non-sensitive projects carried out directly by investors. In addition, where natural persons within the territory of China make investments abroad through overseas enterprises under their control or through enterprises located in Hong Kong, Macao and Taiwan region, the Administrative Measures for the Outbound Investment of Enterprises shall apply mutatis mutandis.

CONVERSION OF FOREIGN CURRENCIES

Foreign currency conversion is mainly subject 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 January 29, 1996 and amended on January 14, 1997, August 5, 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 June 20, 1996. Under such regulations, 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 (“**FIEs**”) 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

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certain documentary evidence (such as resolutions of the board of directors and certificates of tax payments). Any violation of the Foreign Exchange Administrative Regulations and relevant regulations and rules, may be subject to administrative penalties, including warnings and/or fines, and/or criminal liabilities in the worst scenarios.

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 May 10, 2013 and effective from May 13, 2013, foreign-invested enterprises shall register with the SAFE and/or its competent local counterparts after being established in accordance with the law. When a foreign investor makes capital contributions to an FIE in the form of monetary funds, equity, tangible assets, intangible assets, etc. (including lawful income obtained within the PRC), or when the foreign investor pays consideration for the acquired equity from the domestic side of a Chinese enterprise, the FIE shall register the capital contributions and the rights and interests of the foreign investor with the SAFE and/or its competent local counterparts. When the FIE 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. When the FIE is subsequently deregistered or converted to a non-FIE, it shall go through deregistration with the SAFE and/or its competent local counterparts. An FIE 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 an FIE may purchase foreign exchange and make external payment with the bank after the FIE has gone through corresponding registration.

On March 30, 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) (the “**SAFE Circular No. 19**”), which came into effect from June 1, 2015. According to SAFE Circular No. 19, the foreign exchange capital of FIEs shall be subject to the Discretionary Foreign Exchange Settlement (the “**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 FIEs 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 is prohibited from:

1. being directly or indirectly used for the payment beyond the business scope of the enterprises or otherwise prohibited by relevant laws and regulations;

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2. being directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
3. being 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).

Furthermore, the Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the“**SAFE Notice No. 16**”) was promulgated and became effective on June 9, 2016. According to the SAFE Notice No. 16, enterprises registered in PRC may also convert their foreign debts from foreign currency into Renminbi on a self-discretionary basis. The SAFE Notice No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in the PRC. The SAFE Notice No. 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investments (with the exception of bank financial products that can guarantee the principal within the PRC unless otherwise specifically provided). Besides, the converted Renminbi shall not be used to make loans for related enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise’s own use with the exception for the real estate enterprise.

LAWS AND REGULATIONS IN RELATION TO WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (“**Company Law**”), which was adopted by the SCNPC on December 29, 1993 and became effective on July 1, 1994. It was last amended on December 28, 2013 and became effective on March 1, 2014. Under the Company Law, Companies are generally classified into two categories, limited liability companies and companies limited by shares. The Company Law also applies to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) which was promulgated on April 12, 1986 and last amended on September 3, 2006, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) which was promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, respectively.

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The Interim Administrative Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) which was promulgated by MOFCOM on October 8, 2016, amended on July 30, 2017 and became effective on the same day regulate establishments and changes of an FIE. If such establishments and changes do not fall within the scope of special administration measures for foreign investment admission as stipulated by the State, the FIE shall go through filing procedures instead of the procedures for approvals. However, if such establishment and changes fall within the scope of the special administration measures for foreign investment admission as stipulated by the State, the FIE shall go through procedures for approvals according to relevant laws and regulations governing foreign investment.

DIVIDEND DISTRIBUTION

The principal laws and regulations governing dividend distribution of foreign holding companies include the Company Law, the Wholly Foreign-owned Enterprise Law of the PRC, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law of the PRC. Under these laws and regulations, FIEs 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, FIEs 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 until the cumulative amount of such reserves have reached 50% of the registered capital of the enterprises unless the provisions of laws regarding the foreign investment otherwise provided. These reserves are not distributable as cash dividends. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

LAWS AND REGULATIONS IN RELATION TO THE M&A RULES

The M&A Rules, which were jointly promulgated by MOFCOM, CSRC, SASAC, SAT, SAMR and SAFE on August 8, 2006 and amended on June 22, 2009, govern, 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 require an offshore 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

Parties to a building lease should enter into a written lease and register the lease with the relevant real estate administration authority, 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 SCNPC on July 5, 1994, amended on August 30, 2007 and on August 27, 2009 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 December 1, 2010 and

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effected on February 1, 2011. 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 information set forth above 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**”), which was promulgated by the National People’s Congress (“**NPC**”) on March 16, 2007 and was amended on February 24, 2017, the income tax rate for both resident enterprises and FIEs is 25% commencing from January 1, 2008 (with certain exceptions for qualified FIEs). 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 December 6, 2007 which became effective on January 1, 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 their income earned from inside the PRC, 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.

According to Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) promulgated on April 22, 2009 enterprises invested by the enterprises or enterprise groups as the major controlling shareholders within the territory of the PRC, and incorporated overseas in accordance with the laws of foreign countries (regions) are “Overseas Chinese-funded enterprises.” Where any overseas Chinese-funded enterprise meets all of the following conditions, it shall be determined as a resident enterprise with the body of actual management located in China, and its income sourced from both inside and outside the territory of China shall be subject to corporate income tax according to the corresponding taxation administration applicable to it: (1) where its officers and management departments in charge of routine production and operation management perform their duties are mainly located inside China; (2) the financial decisions (such as borrowing, loan, financing and financial risk management) and personnel decision are made by the organizations or persons located inside China, or need to be approved by them; (3) the principal properties, accounting books, corporate seals, meeting minutes and files of the board meetings and the shareholders’ meetings are placed or kept inside China; and (4) 1/2 or more than 1/2 of its directors or officers with voting rights customarily reside inside China.

Withholding Income Tax and International Tax Treaties

Pursuant to the EIT Law and the EIT Law Implementation Rules, dividends generated after January 1, 2008 and payable by an FIE 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.

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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 August 21, 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 Promulgating the Administrative Measures for Non-Residents to Enjoy the Treatment under Tax Treaties (the “**Trial Implementation**”) (國家稅務總局關於發佈<非居民納稅人享受稅收協定待遇管理辦法>的公告), which was promulgated by the SAT on August 27, 2015 and became effective on November 1, 2015, any non-resident taxpayer meeting conditions for the convention treatment may be entitled to the convention treatment when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. According to the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行稅收協議股息條款有關問題的通知) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. 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 October 27, 2009 by the SAT, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (關於認定稅收協定中“受益所有人”的公告), which was issued on June 29, 2012 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners.

Pursuant to the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) which was promulgated by the SAT on October 17, 2017 and became effective on December 1, 2017, with regard to dividends, bonuses and other equity investment proceeds and interest therefrom, rentals, royalties, property transfer income and other kinds of income earned within the territory of the PRC by non-resident enterprises, 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. The withholding agent shall, within seven days from occurrence of the withholding obligation, declare and turn over the withholding tax to the tax authorities in charge at the withholding agent’s location.

According to the Administrative Measures on Accreditation of High-tech Enterprises (高新技術企業認定管理辦法), promulgated by MOST, MOF and SAT on January 29, 2016 and effected on January 1, 2016, high-tech enterprises refer to resident enterprises registered in China (excluding Hong Kong, Macau and Taiwan) which focus on research, development and commercialization of advanced technologies strongly supported by the State, and which develop core independent intellectual property of the enterprise, and carry out business activities on such basis. An

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enterprise may, after being accredited as a high-tech enterprise, claim tax credits pursuant to the EIT Law, the EIT Law Implementation Rules, the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法), and its Implementation Rules, etc.

Value-Added Tax

Sale of goods, processing, repair and replacement services and import and export of goods within the PRC are subject to value-added tax (“VAT”), 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 December 13, 1993, amended on November 10, 2008, February 6, 2016 and November 19, 2017, 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 MOF on December 25, 1993, amended on October 28, 2011. VAT payable is calculated as output VAT minus input VAT. The VAT rate is 17% or, in certain limited circumstances, 11%, depending on the products, excluding small-scale taxpayers as defined in the Interim Regulations on Value-Added Tax of PRC.

Pursuant to the Circular of the MOF and the SAT Administration of Taxation on Adjusting VAT, which was promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, where a taxpayer engages in a taxable sales activity for VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

The VAT rate for value-added telecommunications business and information technology business (including E-commerce) is 6%, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the “**Implementing Measures for Pilot Collection**”), which was promulgated on March 23, 2016 and became effective on May 1, 2016, and the Implementation Rules of the Pilot Program of Replacing Business Tax with Value-Added Tax (營業稅改徵增值稅試點實施辦法).

LAWS AND REGULATIONS IN RELATION TO ADVERTISING SERVICES

Pursuant to Advertising Law of the PRC (中華人民共和國廣告法) which was promulgated by the SCNPC on October 27, 1994, and amended on April 24, 2015, “advertisers” refer 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. “Advertisement operators” refer to legal persons, economic organizations or individuals who provide advertisement content design, production and agency services. “Advertisement publishers” refer to legal persons or economic organizations that publish advertisements for the advertisers or for advertisement operators who are consigned by the advertisers. Advertisements shall not contain any false, misleading contents or misrepresentations. An advertisement should present 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.

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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. If an advertiser publishes false advertisements to deceive or mislead consumers, and thus infringes consumer's lawful rights and interests, the advertiser 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.

Furthermore, the Interim Measures for Administration of Internet Advertising (互聯網廣告管理暫行辦法), promulgated by the SAMR on July 4, 2016 and as of effect since September 1, 2016, set forth certain compliance requirements for online advertising business. Advertisements for medical treatment, pharmaceuticals, food formula for special medical purposes, medical devices, pesticides, veterinary drugs, healthcare food and other special goods or services which shall be scrutinized by advertisement scrutiny authorities according to laws and administrative regulations, shall not be published without scrutiny. In addition, publishing and sending advertisements through the Internet shall not affect the normal use of the Internet by users. Publishing advertisements on the Internet through a pop-up page or in other forms shall provide a prominently marked "CLOSE" button to ensure "one-click closure". Also, it is not allowed to lure users to click on the content of advertisements by any fraudulent means.

LAWS AND REGULATIONS IN RELATION TO ONLINE TRANSACTIONS

In accordance with the Administrative Measures on Online Transactions (網絡交易管理辦法) promulgated by the SAMR on January 26, 2014 and as of effect since March 15, 2014, when selling commodities or providing services to consumers, online business operators shall include information such as, the business address, contact information, quantity and quality, price or expense, performance period and means, payment methods, return or replacement method, safety precautions and risk warning, after-sale service and civil liabilities. Also online business operators shall use sufficient safety measures for the transaction, and shall provide such commodities or services as promised. Collection and use of information of consumers or business operators by online sellers and business operators of related services in their business activities shall adhere to the principle of legitimacy, justification and necessity, the purpose, method and scope of collection and use of information shall be expressly stated, and permitted by the parties whose information are collected. In addition, according to the Administrative Measures on Online Transactions and Interim Measures for Seven-day Unconditional Return of Commodities Purchased Online (網絡購買商品七日無理由退貨暫行辦法) promulgated by the State Administration for Industry and Commerce on January 6, 2017 and as of effect since March 15, 2017, a consumer shall have the right to return commodities sold by an online seller within seven days from receipt of the commodities without a need to state the reason, except for the following commodities: customized commodities; fresh and perishable commodities; audiovisual products downloaded online or unpackaged by consumers; computer software and other digital commodities; and newspapers and journals that have been delivered. A consumer who intends to return commodities unconditionally shall issue a notice to the online seller within seven days upon receipt thereof. Upon receipt of the notice, the online seller shall provide the consumers with the correct address, telephone number and other effective contact information for the return of commodities in a timely manner. If the commodities returned are intact, the online seller shall refund to the consumer the payments made for the commodities within seven days upon receipt thereof.

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LAWS AND REGULATIONS IN RELATION TO FOOD SAFETY

In accordance with the Food Safety Law of the PRC (中華人民共和國食品安全法) (the “**Food Safety Law**”), which was promulgated on February 28, 2009, by the SCNPC and came into effect on June 1, 2009, and amended on April 24, 2015, and the Regulations for the Implementation of the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) which were promulgated by the State Council and came into effect on July 20, 2009, and amended on February 6, 2016, businesses engaging in food production and trading shall obtain relevant food production and trading licenses in accordance with the law. Food traders shall examine suppliers’ licenses, inspection certificates or other certificates when purchase foods. In addition, providers of third-party platforms for online food trading shall conduct the real-name registration for the online food traders and define the food traders’ food safety management responsibilities. Upon the discovery of any activity of the online food traders in violation of the Food Safety Law, providers of third-party platforms for online food trading shall stop the activity in a timely manner and immediately report to the relevant food and drug administrations of the people’s government. In case of any serious illegal behavior, the providers of third-party platforms shall immediately stop the provision of online trading platform services.

LAWS AND REGULATIONS IN RELATION TO IMPORT AND EXPORT OF GOODS

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the SCNPC on January 22, 1987 and latest amended on November 4, 2017, unless otherwise stipulated, the declaration of import and export of goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted custom brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

LAWS AND REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY

Copyright

The Copyright Law of the PRC (中華人民共和國著作權法), promulgated on September 7, 1990, amended respectively on October 27, 2001 and February 26, 2010, protects copyright and explicitly covers computer software copyright. On December 20, 2001, the State Council promulgated the new Regulations on Computer Software Protection (計算機軟件保護條例), amended on January 30, 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 protected by the Regulations on Software Protection immediately after the completion of its development, and no prior application or approval is required. 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 February 20, 2002, the National Copyright Administration introduced the Measures on Computer Software Copyright Registration (計算機軟件著作權登記辦法), which outline the procedures for the registration of software copyright, software copyright license and transfer contracts.

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On May 18, 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 July 1, 2006 and was amended on January 30, 2013. The owners' right to protect personal information from dissemination through the Internet is protected by the Copyright Law and this regulation. Except where otherwise provided by other laws or administrative regulations, any organization or person who disseminates works, performances, or audio-visual recordings of others to the public through the Internet shall obtain prior consent from, and pay remuneration, to the owners.

Trademark

Trademarks are protected by the Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”), which was promulgated by the SCNPC on August 23, 1982 and amended on February 22, 1993, October 27, 2001 and August 30, 2013, and the Implementation Regulations for the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例), which were promulgated by the State Council on April 29, 2014 and became effective since May 1, 2014. An application for trademark registration shall be filled in based on the published classification of commodities and services. The description of commodities or services shall be filled in based on the class number and description in the classification of commodities and services, where the commodities or services are not listed in the classification of commodities and services, a statement on the commodities or services shall be attached.

According to the Trademark Law and its implementation regulations, a registered trademark is valid for ten years, from the date of registration. Upon expiry of the period of validity, the registrant shall apply for renewal within 12 months prior to the expiration date if the registrant needs to continue to use the trademark. If the registrant fails to do so, a grace period of six months may be granted. The renewed registered trademark is valid for another ten years from the day immediately after the expiry of the preceding period of validity. In the absence of a renewal upon expiry, the registered trademark shall be cancelled.

Domain Name

The Administrative Measures for Internet Domain Names (互聯網域名管理辦法) were promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017 (“**Domain Name Measures**”). The Domain Name Measures replaced the Administrative Measures on China Internet Domain Names (中國互聯網域名管理辦法) promulgated by the MII on November 5, 2004. The principle of “first come, first file” applies to domain name registration service in accordance with the Domain Name Measures. In the event that there is any change to the contact information of a domain name holder, the holder shall file such change with the respective domain name registrar within 30 days after such change arises. In addition, the corresponding permit shall be obtained from the MIIT or the communication administrative bureau of the province, autonomous region or centrally-administered municipality for establishment of domain name root servers and domain name root server operating organizations, domain name registration management organizations and domain name registration service organizations.

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LAWS AND REGULATIONS IN RELATION TO LABOR RELATIONSHIP AND SOCIAL SECURITY

The relevant labor laws in the PRC include the Labor Law of the PRC (中華人民共和國勞動法) (the “**Labor Law**”), promulgated by the SCNPC on July 5, 1994 and was amended on August 27, 2009, the Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the “**Labor Contract Law**”), promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012, the Implementation Regulations on the PRC Labor 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 Provisional Measures for Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法), the Regulations on Work 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), the Administrative Regulations on the Declaration and Contribution of Social Insurance Premiums (社會保險費申報繳納管理規定), 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.

In accordance with the Labor Law, employees are entitled to equal opportunities in employment, selection of occupations, receiving labor 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 labor protective supplies to employees.

Pursuant to the Labor Contract Law, employers must execute labor contracts with employees so as to establish labor relationships. In recruiting employees, employers shall truthfully inform the employees of the scope of work, working conditions, workplaces, occupational hazards, production safety conditions, labor remuneration and other information requested by the employees. Employers and employees shall fully perform their respective obligations in accordance with the terms of the labor contracts. Employers shall pay labor remuneration to employees in full amount and on time in accordance with the terms of the labor contracts.

Pursuant to the Social Insurance Law of the PRC, the Regulations on Work Injury Insurance, the Provisional Measures for Maternity Insurance for Enterprise Employees, the Interim Regulations on Collection of Social Insurance Premiums and the Interim Measures for Registration and Administration of Social Insurance, employers shall make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work 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.

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

FOREIGN INVESTMENT LAW (DRAFT FOR COMMENT)

On January 19, 2015, the MOFCOM published the Foreign Investment Law (DRAFT FOR COMMENT) (the “**Draft FIL**”) and accompanying explanatory notes which contain important information about the Draft FIL, including its drafting philosophy and principles, main content, plans to transit to the new legal regime and treatment of business in the PRC controlled by foreign invested enterprises. For further details, see the section headed “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment” in this document.

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OVERVIEW

We are the largest and most active maternity and child-, or M&C-, focused community platforms in China by MAU, according to the Frost & Sullivan Report, dedicated to connecting and serving young families. Across our platforms, we had on average 139.0 million total MAUs in 2017. Young families, defined as families between two years before the birth of a child and six years after (referred to as “ages -2 to 6” for simplicity in this Prospectus), in China represented an addressable market of RMB11.0 trillion in 2017, according to the Frost & Sullivan Report.

We launched *babytree.com* in 2007 to create an online destination for expecting parents and young parents in China to communicate with each other and find the best pregnancy and parenting advice. Today, we have built a vibrant community for young families on the two pillars of strong social features and high-quality content. We develop functionalities on our platforms with the communication needs of our young, child-bearing age users in mind, focusing on the social elements to cultivate an interactive and spontaneous user experience. Our users actively participate in various modes of community interactions and in doing so have created a tremendous amount of user-generated content, or UGC. UGC is highly valuable to us, because it helps bind our community and enrich our content. According to the Frost & Sullivan Report, we have the most comprehensive and high-quality parenting knowledge among online platforms in China. Apart from UGC, we keep a large and growing library of professional-generated content, or PGC. We also promote original content creation by select professional or quasi-professional users as supplement.

Over a journey of 11 years, we have built the most trusted brand among M&C online platforms in China, according to the Frost & Sullivan Report. Our brand is rooted in our reputation among users in our community. Our reputation spreads from old users to new ones by word of mouth, which helps us solidify our leading market position. This mode of referral and recommendation from one cohort of new mothers to the next in our community-based business model also translates into less need to incur significant marketing expenses solely to attract new users. We take pride in having independently developed and maintained a high-quality user base at relatively low cost. For example, we incurred RMB30.0 million in marketing expenses in the year ended December 31, 2017, mostly for general brand promotion and business development and only to a small extent solely for new user acquisition.

On our platforms, we offer a comprehensive suite of products and services that serve the four essential needs of China’s young families: learning, sharing, recording and shopping. Our two primary platforms are (i) *Babytree Parenting*, our flagship platform comprising the *Babytree Parenting* mobile app and *babytree.com* on PC and WAP, which is the main gateway of our user traffic; (ii) *WeTime*, our mobile-only second platform focused on child development, designed with the dual purposes of an image-rich social recording medium and an online depository of early education content and tools with a marketplace approach. We envision *WeTime* as a natural extension of our flagship *Babytree Parenting* platform, extending the life cycle of our users and further broadening our user base. Additionally, we also have *Meitun Mama*, an M&C product-focused e-commerce platform, which functionalities are deeply embedded on the *Babytree Parenting* platform.

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We receive highly valuable core bio data from our registered users. User interactions within our ecosystem generate extensive behavioral data. Considered together, we have China's largest commercial database of M&C groups, according to the Frost & Sullivan Report. High-quality and extensive data about our users help us further understand their profiles, pinpoint their needs, personalize user experience more accurately and explore new product and service offerings.

We have developed effective and efficient models of monetization on our scalable platforms. Our data-driven advertising and e-commerce businesses were major sources of revenue and demonstrated robust growth during the Track Record Period. We have also successfully launched our “consumer to manufacturer,” or C2M, and premium content businesses as additional sources of revenue. We have created a growing ecosystem in which we enable our business partners and our users to reach each other, for not only M&C products and services but other types of family consumption as well. In the six months ended June 30, 2018, our platforms connected 152 advertising clients and 91 C2M manufacturing partners. As of June 30, 2018, we had 2,049 third-party e-commerce vendors and 641 contracted experts for our premium content programs.

We are led by a visionary and experienced management team. Our founder and chairman, Mr. WANG Huainan, is a highly regarded entrepreneur and one of the most recognized leaders in China's TMT sector, combining deep knowledge of the Chinese market and a broad international outlook and international resources. Our director, Mr. SHAO Yibo, is also a prominent pioneer of the Chinese Internet. Members of our management team have extensive relevant experience and share the same vision and dedication.

In May 2018, we received a strategic investment from Alibaba (through its indirect wholly-owned subsidiary, Taobao China) and agreed to commence deep collaboration with Alibaba in e-commerce, advertising, C2M, content monetization and potentially other businesses. We believe Alibaba's industry-leading e-commerce business, user and service resources and execution capabilities could help us enhance our existing monetization models and potentially develop new ones, thereby further unleashing the commercial potential of our ecosystem.

Our results of operations grew rapidly during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017, our total revenue was RMB200.0 million, RMB509.7 million and RMB729.6 million, respectively, representing a CAGR of 91.0%. Our total revenue increased by 12.6% from RMB361.8 million for the six months ended June 30, 2017 to RMB407.5 million for the six months ended June 30, 2018. In the same periods, we experienced loss for the period of RMB286.4 million, RMB934.5 million, RMB911.1 million, RMB388.0 million and RMB2,175.0 million, respectively. Excluding the effects of fair value change of financial liabilities at fair value through profit or loss and equity-settled share-based payment expenses, we would have incurred an adjusted loss of RMB172.2 million for the year ended December 31, 2015 and an adjusted profit of RMB44.4 million, RMB138.8 million, RMB89.2 million and RMB122.3 million for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. See “Financial Information—Non-IFRS Measure.”

COMPETITIVE STRENGTHS

The largest and most active M&C-focused community platforms in China, dedicated to connecting and serving young families

We are the largest and most active M&C-focused community platforms in China, with an average 139.0 million total MAUs in 2017, according to the Frost & Sullivan Report. Our flagship mobile app, *Babytree Parenting*, is the largest parenting app in China, with 14.9 million average MAUs in 2017, according to the same source. We are dedicated to connecting and serving young families. According to the Frost & Sullivan Report, young families in China represented an addressable market of RMB11.0 trillion in 2017 and, with the expansion and upgrade of a consumption-driven economy, China's young family market is expected to experience further growth in the foreseeable future.

We are a pioneer in developing an online community focused on young families in China. Our business started in 2007 as a parenting knowledge sharing website. Over a journey of 11 years, we have independently developed and maintained a high-quality user base at relatively low cost and built the most trusted brand among M&C online platforms in China, according to the Frost & Sullivan Report. On our platforms, we offer a comprehensive suite of products and services that serve the essential needs of learning, sharing, recording and shopping of China's young families from ages -2 to 6, encompassing all stages of the pre-pregnancy, pregnancy, childbirth and early parenting cycle.

Our young, child-bearing age users represent an attractive demographic. Most of our users are mothers from young families in China. According to the Frost & Sullivan Report, the mother in 82.3% of young families in China is the sole principal decision-maker with respect to general spending. According to the same source, young Chinese families are increasingly willing to pay for products and services that improve the quality of life. Young Chinese families spend on a broad spectrum of products and services beyond M&C, including, for example, education, healthcare, housing, automobile, leisure and entertainment and finance.

We believe that, with our deep understanding of users and our growing and highly active user base, we are well positioned to capture significant growth opportunities in China's young family market.

Strong social features shaping a warm and vibrant community

We have emphasized the social element since our early days as an online community for expecting parents and new parents. Today, under our community-based business model, we have incorporated strong social features across our platforms to create an interactive and spontaneous user experience. We believe that, on the one hand, our young, child-bearing age user demographic distinguishes us from other social networks and, on the other hand, the social element differentiates us from non-community-based online platforms with an M&C focus or segment.

As compared with other social networks, we believe the *Babytree* community possesses a distinctive warmth due to strong M&C-related subject matters. Our users, despite myriad differences they may have, typically share one thing in common: they are similarly situated in a transformative period of their lives, *i.e.*, before and after the birth of a child. To many of them, the process is

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unfamiliar because it is their first experience. As a result, they have many questions, and often require urgent and specific guidance. Not less importantly, the ability to exchange feelings with others in similar conditions and share private moments with friends and family could significantly alleviate stress. Oftentimes users receive advice from mothers who are steps ahead in the cycle and who stay with us to share experience for newcomers, because this common experience bonds them. Friends and family also provide encouragement and share their sentiments. Such exchanges of kindness create a powerful force bonding our users to each other and to our community.

With the characteristics of our users in mind, we have focused on the social element as we develop functionalities on our platforms. Our users actively participate in various modes of community interactions and in doing so have created a rich amount of what we call “social footprints.” Highlights of our vibrant community interactions include:

- *Bulletin board discussions.* On *Babytree Parenting*, users can join “groups” based on certain nexus and interact with other users sharing similarities. As of June 30, 2018, we had a total of close to 330,000 groups, including 241 groups by age, 231 groups by city, over 5,000 groups by hospital, over 1,000 groups based on interest and more than 320,000 private groups created by users. Among such groups, we had more than 7,000 active groups, with an average of more than 50,000 active users per group. As of June 30, 2018, our users had uploaded more than 85 million posts and 1.2 billion comments in group discussions, averaging more than 14 comments per post.
- *Community Q&A.* On *Babytree Parenting*, our users can post questions and expect responses from other users. As of June 30, 2018, our users had posted an aggregate of more than 35 million questions and more than 127 million answers under the *Community Q&A* program, averaging more than 3.6 answers per question. As of the same date, our users had “liked” exchanges in this program more than 631 million times.
- *Social recording.* On *WeTime*, our users can post photos and videos of their babies or otherwise record family life, and share them easily, attracting fathers, grandparents, other family members and friends into our community. On *Babytree Parenting*, users can also include photos and videos in their community postings. As of June 30, 2018, our users had uploaded over 1 billion photos (including user profile photos) and more than 41 million short videos on our platforms.

We believe that the warmth and vibrancy of our community contribute to user retention. For example, over 80% of the new registered users of our *Babytree Parenting* mobile app in May 2018 remained active users in June 2018. The high retention rate also allows us to have relatively low user acquisition cost.

Comprehensive and high-quality content

From over 11 years of operations, we have amassed a vast amount of quality content in our library, easily accessible by users. According to the Frost & Sullivan Report, we have the most comprehensive and high-quality parenting knowledge among online platforms in China. Our content is a dynamic and interactive mix of PGC, UGC and PUGC. On the one hand, we maintain a stable and growing library of PGC, which provides guidance, on issues that interest expecting parents and new parents, with authority. On the other hand, our users create a tremendous amount of UGC, often addressing real-time, highly specific scenarios with personal experience and local know-how. We also promote original content creation by selecting professional or quasi-professional users, which has spawned a large body of PUGC. From these motivated authors, we acquire fresh content on subject matters that our users find useful and relevant.

- *Massive quantity.* As of June 30, 2018, we had over 11,000 free articles, over 400 nursery rhymes, over 160 pieces of parenting music and over 1,000 videos in our PGC library. Such repertory knowledge content covers a full spectrum of topics, including four categories by age group (pre-pregnancy, pregnancy, newborns and young children) and 73 sub-categories by theme, along the entire pregnancy and parenting cycle.

More importantly, UGC makes our content library more comprehensive. As of June 30, 2018, our users had uploaded more than 1.4 billion posts in group discussions (including the initial posts and the subsequent replies) and exchanges under the *Community Q&A* program (including the questions and the answers).

Furthermore, we have a growing body of PUGC as complement to our PGC and UGC. As of June 30, 2018, we had over 1,700 KOLs on our platforms under our open platform strategy, creating content covering M&C subjects and beyond, including pre-pregnancy, pregnancy, child-rearing, food and cooking, photography, travel, handicraft, fashion and relationships.

- *High quality.* As of June 30, 2018, we had an in-house content team of 34 editors and writers. The team leader has over 10 years of experience in the publishing industry. Our in-house content team authored, and continues to update, all of our repertory articles, and curates content contributed by our experts and users for relevance and style. As of June 30, 2018, we had established cooperation relationships with 641 experts to create professional content in various programs on our platform. Our contracted doctors are selected from the deputy chief physician level (副主任醫師) and above from Class III Grade A hospitals (三級甲等醫院) and well-recognized private hospitals in China.
- *Easy accessibility.* We have created an environment where each individual user can easily access content that she seeks. Based on our analytics of core user bio data, we are able to present personalized content that we believe is relevant or interesting to different users at different stages of the child-bearing process. In addition, our knowledge content is well structured in our database and as presented publicly, by categories, sub-categories and content tags, so that a user can find content by searching key criteria or simply browsing.

Most trusted brand

Brand is a key factor consumers consider in making family-related consumption decisions, according to a survey conducted by Frost & Sullivan.* As M&C products and services directly affect the well-being of the baby, who is often considered the most precious member of a family, safety is of paramount importance. As a result, brand image, and consequently trust placed in that brand, plays the most important role in consumer decisions. Customers' brand approval often leads to repeat purchases. According to the survey, *Babytree* is the most trusted M&C online platform in China. Respondents were asked to name the M&C online platforms they trusted and the M&C online platform they trusted the most. Under both questions, *Babytree* emerged as the clear leader. Most respondents considered *Babytree* to have the most comprehensive and authoritative content among all M&C-focused online platforms in China. Furthermore, approximately 57% of the respondents who had used M&C online community services had heard of the expression “tree-climbing (爬樹)” as synonymous with going online to gain pregnancy or parenting knowledge, get advice or simply hang out with other parents.

Our brand is rooted in our reputation among users in our community. Our reputation spreads from old users to new ones by word of mouth, which helps us solidify our leading market position. This mode of referral and recommendation from one cohort of new mothers to the next in our community-based business model also means that our new user acquisition cost is relatively low, as we have less need to incur significant marketing expenses solely to attract new users. In addition, because users trust our brand, they are more likely to recognize and accept products and services that carry our endorsement, which positions us well to capture additional market opportunities, such as C2M and early education.

Unique and valuable data insights

We have China's largest commercial database of M&C groups, according to the Frost & Sullivan Report. Our user data include core bio data and behavioral data. The core user bio data include the number of days into pregnancy or the due date or birthday of a baby (depending on the user). Such data are highly valuable because they tell us, precise to the day, where a user is in the pregnancy and parenting cycle. We believe we can then predict the needs of such user at any given time during the typical engagement period with us with a high degree of accuracy and address such needs with precision. As of June 30, 2018, we had cumulatively served approximately 146 million users who had provided such core bio data to us. In addition to core bio data, we have accumulated a massive amount of behavioral data generated by our users on our platforms, such as geographic location, browsing history, search history and shopping history, and objects and features captured in photos uploaded. We are also able to consolidate the data a registered user generates across multiple platforms, so that her activity data can be analyzed together, which enhances data accuracy and improves user experience across the platforms.

* Based on 2,000 valid samples collected from randomly selected target respondents with children under 6 years old or a family member of whom was in preparation for pregnancy in 18 various tiers of cities in China.

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We have developed technological capabilities to analyze the massive trove of data we collect to better understand the behavioral patterns of young families in China, so that we can enhance our ability to capture user profiles, gauge individual user needs and personalize user experience more accurately. For example, in our advanced user tagging system, we assign up to thousands of tags to achieve high granularity in user profiles to gain in-depth understanding of our users' preferences and interests. By matching user tags with content tags, we can “push” highly personalized content to users, so that each user interacts with *Babytree* interfaces that are the most relevant to her.

We expect the strategic value of big data to manifest itself across our monetization models, including advertising, e-commerce and others. We are able to use our big data analytics in our R&D to identify new products and services which our users sorely need and would place premium on. For example, based on our analysis of certain patterns in our community discussions, we have successfully launched our initial generation of products in our C2M business, including water-dissolvable napkins with no chemical additives and medical-grade, fungus-resistant and fluorescent agent-free paper diapers, that address the “pain points” of our users. Our ability to develop such high value-added new monetization models based on big data is instrumental in unlocking the commercial potential of our ecosystem.

Proven monetization driven by scalable and expandable business model together with blue-chip partners

We have developed effective and efficient models of monetization on our scalable platforms. Our data-driven advertising and e-commerce businesses demonstrated robust growth during the Track Record Period. We have also successfully launched our C2M and premium content businesses as additional sources of revenue. This showcases our ability to offer value to our business partners in our ecosystem who seek to reach our users and our users who look to consume, for not only M&C products and services but other types of family consumption as well.

- *Advertising.* For 2015, 2016 and 2017, we recorded RMB167.3 million, RMB267.9 million and RMB372.4 million, respectively, in revenue from advertising, at a CAGR of 49.2%. For our advertising clients with an M&C background, we believe we are their natural top choice due to our industry-leading, high-quality user base that is their general target demographic as well as our technical capability to further reach the most relevant user groups with precision. For clients from other industries, such as pharmaceuticals, cosmetics, skin care, automobile and financial services, we believe they appreciate the value in our user data and share our vision that we can help address the needs of our users in different stages of their lives beyond M&C products. We offer a wide variety of ad formats and ad spaces on our platforms. In 2017, mobile ads (including ads on our mobile apps) and PC ads accounted for 63.0% and 37.0%, respectively, of our advertising revenue. For the six months ended June 30, 2018, mobile ads (including ads on our mobile apps) and PC ads accounted for 83.8% and 16.2%, respectively, of our advertising revenue.
- *E-commerce.* For 2015, 2016 and 2017, we recorded RMB32.7 million, RMB240.2 million and RMB332.6 million in revenue from e-commerce, at a CAGR of 218.9%. We have developed our C2M business since 2017 as a fast-growing supplement to traditional

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e-commerce. As of June 30, 2018, we offered over 2,400 SKUs in our C2M segment. As we implement our collaboration with Alibaba, we believe we are well positioned to enhance our e-commerce business. See “—Visionary and experienced management team and strong shareholder support” below.

- *Premium content.* Since 2016 we have offered premium content on health and other topics prepared by contracted experts. In 2016, 2017 and the six months ended June 30, 2018, we achieved RMB1.7 million, RMB24.7 million and RMB18.8 million, respectively, in revenue from sales of premium content.

Our large and active community user base, together with our scalable business model, has helped us form partnerships with other well-recognized industry participants in their fields. For example, in our C2M business, we have partnered with Shandong Sun Paper Co., Ltd., a Shenzhen Stock Exchange-listed paper manufacturer in China, as the supplier of some of our paper-based C2M products. We have established a cooperation relationship with ZhongAn Insurance to market its insurance products on our platforms to our users.

Visionary and experienced management team and strong shareholder support

Our founder and Chairman, Mr. Wang, is a highly regarded entrepreneur and one of the most recognized leaders in China’s TMT sector. Mr. Wang founded our business in 2007, and has since devoted his professional life to bringing the most professional and safe products and services to young Chinese families. Mr. Wang’s previous professional experience includes senior management positions with Google, Procter & Gamble and Yahoo!. Our founder combines deep knowledge of the Chinese market and a broad international outlook and international resources. Our director, Mr. SHAO Yibo, is also a prominent pioneer of the Chinese Internet. Members of our management team have extensive relevant experience in the parenting, advertising, Internet product development and technology fields, and share the same vision and dedication.

In May 2018, we received a strategic investment from Alibaba (through its indirect wholly-owned subsidiary, Taobao China) and agreed to commence deep collaboration with Alibaba in e-commerce, advertising, C2M, content monetization and potentially other businesses. We believe Alibaba’s industry-leading e-commerce business, user and service resources and execution capabilities could help us enhance our existing monetization models and potentially develop new ones, thereby further unleashing the commercial potential of our ecosystem. See “—Monetization—Alibaba Collaboration.”

We also enjoy strong support from Fosun, a Hong Kong Stock Exchange-listed group with portfolio companies such as Beijing United Family Hospital, Club Med, Silver Cross and Cirque du Soleil, which became our Shareholder in 2016. Fosun provides us with valuable opportunities for future development in healthcare and other industries in which it has substantial experience. We introduced TAL Education, a New York Stock Exchange-listed education provider, as our strategic shareholder in 2016, and have benefited from its insight into China’s education industry.

BUSINESS STRATEGIES

Solidify industry leadership through product optimization and user life cycle extension

To solidify our industry leadership, we will continue to improve our apps and websites to enhance user experience. To that end, we plan to further promote interaction in our social networks (for example, by further tagging our users and facilitating their interactions with smaller groups of other users sharing more tailored interests or encouraging mother users to become KOLs to regularly produce content they would like to share with other users). We also plan to continue to generate quality PGC and encourage users to generate quality UGC that is relevant to their needs, which could cover subject matters beyond pregnancy and parenting, such as fashion, cosmetics, food and cooking, travel and relationships. For example, we recently hired a team of women's fashion and lifestyle editors to help us produce content in this area. We established our women's fashion-themed content procurer, provider and distributor, *Mizhi Fashion* (蜜知時尚), operated and managed by our in-house editor team. We may contract with well-known experts or KOLs to produce content on our platform in our open platform initiative, including exclusive content. We may also expand our content distribution channels by launching a third-party official *WeChat* account focusing on the parenting sector.

We will seek to lengthen our users' life cycle, by introducing new services for younger families before pregnancy and for older children up to age 6 or even later. We also plan to further extend our online reach to users, from expecting mothers and young mothers to young Chinese families generally, by placing innovative new features on our mobile apps and websites. For example, we launched a fathers' edition of the *Babytree Parenting* app in December 2017 to attract more fathers to our platforms. We will also invest more resources in *WeTime* to accelerate its ascendance as a premier child development platform. We will identify quality providers of early education content and tools and attract them to join our *WeTime* platform, so that we could further broaden our user base and lengthen and deepen our user experience.

Continue to leverage business model and deepen monetization efforts

We have a proven track record of monetizing the user base that we have accumulated on our platforms. We plan to continue to leverage our business model and expand or develop additional monetization opportunities through the following:

- *Advertising.* We will seek to continue improving the profitability of our advertising business, including through our strategic collaboration with our stakeholder Alibaba. For example, we may leverage our big data and propose innovative advertising solutions to advertisers, including Alibaba or advertisers sourced from Alibaba, or work with third parties to import high-quality new users at low cost.
- *E-Commerce.* We plan to continue to streamline our general e-commerce business to reduce back-end operational cost and enhance efficiency. Under our strategic collaboration with Alibaba, we will engage Alibaba to provide operational services so that we could benefit from Alibaba's market-leading expertise and experience in running an e-commerce platform.

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- *C2M.* We will continue to develop differentiated C2M products that are not already available in the market. We will focus on products for which users have a poignant need and we can find a well-prepared and trustworthy manufacturing partner. We will endeavor to optimize SKU, supply chain and distribution channel management of this niche business and conduct marketing online and offline. We will consider marketing existing and future C2M products on Alibaba's platforms.
- *Content monetization.* We will continue to expand our content monetization business, by recruiting the best doctors and other experts in all relevant specializations and by producing or licensing more programs available for sale. We target to have 1,000 new expert lectures in 2018.
- *Healthcare.* We have identified healthcare as a strategic area of future development. In the future, we plan to act as a conduit, identifying users with certain healthcare need and directing them to our selected quality partners, for a referral fee. We also plan to develop a comprehensive family health management platform in cooperation with Fosun.
- *Young family solutions.* We may explore opportunities to expand our business to other areas, such as automobile, family financial services and female apparel and accessories.
- *Membership program.* We may also experiment with a paid membership program, so that we can offer members-only online and offline activities and promotional opportunities.

Continue to invest in R&D and strengthen data analytical and technological capabilities

We have accumulated a vast pool of valuable data on young families in China. Our next goal is to increase investment in R&D to optimize data capture and enhance data analytical capabilities through machine learning, so that we can better understand user needs and preferences, predict user behavioral patterns and achieve more accurate user reach. We plan to establish artificial intelligence development centers in Beijing to develop relevant technologies to further improve our service quality and efficiency, including big data analytics, machine learning, voice recognition and cognitive assessment technologies, to introduce robot customer services and to improve accuracy in our user tag systems. Such improvements will benefit us in many ways. For example, we will be able to deliver advertising with more accuracy and provide comprehensive and innovative advertising solutions to our advertising and other partners, be more successful in re-directing users to our e-commerce platform and be more confident in introducing new products and services that satisfy users' underserved needs.

We plan to further develop our technology stack, including data and storage management, computer vision, NLP and augmented reality, to enhance user experience. For example, we can use picture detection technology to help users sort and manage photos uploaded to *WeTime* and use optimized transmission technologies to help users achieve a better real-time view and save experience.

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As a technology company, we ultimately rely on our engineers to achieve the outcomes intended by our business strategies. We are committed to recruiting and retaining the best technical talent we find suitable. In addition to providing competitive salary and equity compensation, we will also consider opening development centers in emerging technology hubs where our prospective employees might prefer to live. We have opened offices in Hangzhou, Wuhan and Xiamen, and may open new ones in Chengdu, Shenzhen and the United States, following this recruiting strategy.

Expand into related businesses and the global markets

We plan to use our leading market position and brand as leverage to formulate and promote industry standards for our market sector and potentially consolidate upstream and downstream resources. We may choose to enter new industry sectors with growth potential and synergy with our existing businesses. To that end, we plan to explore partnerships with the leaders in the sector or acquire majority or minority interests of suitable companies in the sector. For example, we may expand further into online early education as a natural extension of services for our users or invest in intelligent home devices to reach users via this new interface. We recently established a joint venture with Fosun in which we held a 30% interest to explore commercial possibilities of an open platform to aggregate and distribute professional health-related information and services for mothers and babies. Other possible areas of interest include R&D capabilities in connection with our C2M business.

In addition, we may choose to invest in funds to indirectly acquire equity stakes in businesses that interest us. For example, we established the Babytree Fosun Parenting Fund in June 2018 with Fosun, in which we hold a 19% equity interest, to make investments in the M&C product-related industries. Our primary focus will be on companies specialized in new channels to reach users, new product and service offerings and new technologies.

We may also explore the global markets, through direct expansion, or partnership with local companies or acquisition. Because mothers and babies anywhere in the world have similar needs at similar times, we believe our expertise on the subject matter can be universally useful and largely scalable. In developed economies, especially North America where our Founder has deep experience, we believe there are market opportunities for us as we do not see any incumbents with a business model similar to ours. In less developed economies, we believe our success in China could be portable. We plan to establish a branch in Southeast Asia, which we believe to be a good starting point of our global expansion where the birth rate is relatively high, user behaviors are similar to the China market and user needs are currently underserved.

OUR VALUE PROPOSITIONS

We have built an ecosystem centered on one distinctive demographic: young families in China. We attract expecting parents, young parents and their extended families to our ecosystem by offering a comprehensive range of products and services that serve their diverse needs. In turn, we attract other constituents who value access to our users. We believe the value we created to our constituents drove our business, and our ability to keep such propositions relevant will be instrumental for our future.

Our Value Propositions to Users

Childbirth is a transformative event.

The conception, arrival and growth of a new life brings tremendous joy to mother, father and family. It often gives their own lives a new sense of purpose and, in many respects, a new beginning. But it also creates great anxiety, and gives rise to many questions and needs, medical, emotional and practical. We identify the following four essential needs and help our users address them:

- *Learning.* For many users, childbirth is a new experience. Even for those who are not first-time parents, new issues often emerge. We provide users access to a vast library of professional parenting knowledge. We also connect them with experts and/or peers to find answers to individual questions that are important, urgent and often private;
- *Sharing.* For many young mothers, the journey of pregnancy, childbirth and childcare is joyful, but it could also be lonely. Many of our users crave human interaction. We provide a venue for users to socialize with others during this life-changing period, to share experiences, express sentiments, exchange encouragement and gain practical advice;
- *Recording.* Before and after the birth of a child, our users live through a period of transition in their lives. Many find an urge to record important moments as they and their children progress from stage to stage. We enable users to publish articles, photos and videos to do so and share them with family, friends and broader community; and
- *Shopping.* Our users have a relatively inelastic demand for products that are unique to the child-bearing period. We create for our users an integrated online shopping environment for M&C products, where they can receive product information and shop conveniently. More broadly, as decision-makers in young families, our users are also interested in other products and services which suit, or could promote, their lifestyle. We create opportunities for our users to meet the purveyors of such products and services.

Based on our analytics of core bio data and behavioral data of our users, we seek to address these needs with precision.

Our Value Propositions to Business Partners

We work with several types of business partners on our platforms, including advertisers and advertising agents; vendors in our e-commerce marketplace; manufacturing partners of our C2M business; and doctors, other experts and other KOLs who contribute content to our platforms. We enable them to achieve their commercial objectives, with the following propositions:

- *Reach and relevance.* As a group, our users constitute the largest and most active young family online community in China, with highly predictable behavior patterns and firm demand. They are typically decision-makers in family finances, with the purchasing power for products and services that they approve. We help our business partners who are interested in this demographic gain access to them;

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- *Aim and accuracy.* Leveraging China's largest commercial database of M&C groups and strong big data analytics, we have a deep understanding of young families in China, many of which are our users. We enable our business partners to identify and reach users with particular characteristics with precision; and
- *Insight and interaction.* Our deep understanding of users can also enable us to provide feedback to our business partners, so that they could efficiently and effectively manage their product development strategy and improve attractiveness of their products and services.

OUR PLATFORMS

We launched *babytree.com* in 2007 to create an online community for expecting parents and young parents in China to communicate with each other and find the best pregnancy and parenting advice. Today, strong social features and high-quality content remain the two pillars of our community platforms, on which we offer a comprehensive suite of products and services that serve the four essential needs of China's young families: learning, sharing, recording and shopping. Our two primary platforms are (i) *Babytree Parenting*, our flagship platform comprising the *Babytree Parenting* mobile app and *babytree.com* on PC and WAP, which is the main gateway of our user traffic; (ii) *WeTime*, our mobile-only second platform focused on child development, designed with the dual purposes of an image-rich social recording medium and an online depository of early education content and tools with a marketplace approach. We envision *WeTime* as a natural extension of our flagship *Babytree Parenting* platform, extending the life cycle of our users and further broadening our user base. Additionally, we also have *Meitun Mama*, an M&C product-focused e-commerce platform, which functionalities are deeply embedded on the *Babytree Parenting* platform.

Across our platforms, we had on average 139.0 million total MAUs in 2017. Based on this statistic, we are the largest and most active M&C-focused community platforms in China, according to the Frost & Sullivan Report. We had on average 133.2 million, 164.5 million and 89.5 million total MAUs in 2015, 2016 and the six months ended June 30, 2018, respectively. In June 2018, we had in total 160.6 million MAUs.

Our average MAUs on mobile apps increased generally during the Track Record Period, from 6.4 million for the year ended December 31, 2015 to 16.8 million for the year ended December 31, 2017 and 16.7 million for the six months ended June 30, 2018. We had 23.0 million MAUs for mobile apps in June 2018. Mobile app user traffic was a major factor underlying our financial performance because mobile-end revenue represented a substantial majority of revenue from our advertising business and mobile-end transactions accounted for almost all of our e-commerce business, our primary models of monetization to date. We intend to continue to prioritize product development on our mobile apps to further boost mobile user traffic to our platforms. Even though PC and WAP are not at the forefront of our innovation, these interfaces remain important for us, as some users are more comfortable with them and we still derive significant user traffic from them. Our average MAUs on PC and WAP fluctuated during the Track Record Period. We believe one factor for a downward fluctuation in late 2017 and early 2018 was changes in algorithms adopted by popular search engines affecting the ranking of our web pages in search results. Our number of MAUs on PC and WAP fluctuated upwards towards the middle of 2018 which we believe was a testament of the ability of our user base to grow organically based on word-of-mouth referrals and recommendations. We had 137.6 million MAUs on PC and WAP in June 2018. In total, we had 160.6 million MAUs in June 2018.

A key feature of the user experience we create on our platforms is personalization based on big data. An anonymous user can browse a wealth of information and access many features that are openly available on our platforms without the need of an account or providing personal information, as we do not require new users to register. If a user is registered, however, we personalize her experience.

There are two layers of registration: basic registration and full registration. For basic registration, we only require core bio data. Such data are highly valuable because they tell us, precise to the day, where a user is in the pregnancy and parenting cycle. We believe we can then predict the needs of such user at any given time during the typical engagement period with us with a high degree of accuracy and address such needs with precision. We can immediately present the new user with a personalized interface that is probably in line with her interests. For example, for a user who identifies herself as not yet pregnant, the information that will be “pushed” to the interface with her will be focused on pre-pregnancy and not on childbirth or parenting; for a user who has provided a due date or birthday of a baby, the information presented will be curated by our automatic algorithms, detailed to the day, to feature what is the most relevant for an expecting parent or parent on that day; as the baby ages, the selection will gradually shift to learning and education. As a new user engages with us on our platforms, for example, asking a question relating to a health condition, participating in a bulletin board discussion on a certain topic, or purchasing a product, our automatic algorithms will accumulate knowledge about her, learn her behaviors and attempt to gauge her interests and circumstances more accurately. Information presented to the interface with that user will be fine-tuned on an ongoing basis based on the data accumulated.

A user can choose to provide more information to us, including a telephone number or an email address, and become a fully registered user with a user ID. Fully registered users can link their accounts with their other social media accounts, such as *WeChat*, *QQ*, *Sina Weibo* and *Alipay*. Users can log in their accounts either with the emails or phone numbers registered with us or with their linked *WeChat*, *QQ*, *Sina Weibo* or *Alipay* accounts. Once fully registered and logged in, users can enjoy the full functionalities of our platforms, including many social features. Our *Babytree Parenting* and *WeTime* platforms share a common user ID system, while *Meitun Mama* has a separate user ID system, but we are able to integrate data about a unique fully registered user if the accounts are linked.

Babytree Parenting

Babytree Parenting is our flagship platform. On the *Babytree Parenting* mobile app and the PC and WAP interfaces of *babytree.com*, users can engage in our community, access our content and use the other tools that we make available. Users can also enjoy integrated e-commerce functionalities without leaving the *Babytree Parenting* environment.

Social features

On our *Babytree Parenting* platform, we incorporate social features of a classic social network, adapted for our dedicated user demographic.

A key characteristic distinguishing us from other social networks is our users, who, despite myriad differences they may have, typically share one thing in common: they are similarly situated in a transformative period of their lives, *i.e.*, before and after the birth of a child. To many of them,

the process is unfamiliar because it is their first experience. As a result, they have many questions, and often require urgent and specific guidance. Not less importantly, the ability to exchange feelings with others in similar conditions and share private moments with friends and family could significantly alleviate stress for new mothers in what is, for many, a testing process. Oftentimes users receive advice from mothers who are steps ahead in the cycle and who stay with us to share experience for newcomers, because this common experience bonds them. Friends and family also provide encouragement and share their sentiments. With tens of thousands of such exchanges taking place on our platform on a daily basis, our users can appreciate that they belong to a community of love and care and feel empowered. The sense of trust and belonging creates a powerful force bonding our users to each other and to our community. For the twelve months ended June 30, 2018, the average one-month retention rate and the average three-month retention rate of our *Babytree Parenting* mobile app was 61.2% and 49.2%, respectively.

On *Babytree Parenting*, our users can connect and communicate with others by joining discussions on bulletin boards, asking and answering questions, and writing, sharing and commenting on blog and photo postings.

Bulletin boards

We refer to our community collectively as “*Under the Babytree (樹下)*.” A basic component of *Under the Babytree* is what we call “groups (圈子),” which are groups of users connected with a certain nexus. Users can choose to join groups based on their babies’ birthday, their location or their interests, so that they can find the right audience for the information they would like to share. As of June 30, 2018, we had a total of close to 330,000 groups. Among such groups, we had more than 7,000 active groups, with an average of more than 50,000 active users per group. As of June 30, 2018, our users had uploaded more than 85 million posts and 1.2 billion comments in group discussions, averaging more than 14 comments per post.

There are five types of groups, depending on what the nexus is:

- *Same age groups (同齡圈)*. Users can join other users who are similarly situated in the pregnancy and parenting cycle, detailed to the month of the baby’s birthday. New mothers can celebrate the arrival of newborns by sharing the news to other new mothers, and stay in touch with them as they venture into similar voyages of childcare. As of June 30, 2018, we had 241 such same age groups.
- *Same city groups (同城圈)*. Users can join groups with others who are based in the same city so that they may exchange local information and organize offline gatherings and other events, such as birthday parties, photography seminars and even baby crawling races. As of June 30, 2018, we had 231 such groups across China.

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- *Same hospital groups (同院圈)*. Users can also join groups with others who gave birth or plan to give birth in a particular hospital. Many discussions in these hospital groups relate to important practical matters, for example, tips on arranging prenatal examinations and reserving a bed for labor and information and reviews of hospitals and doctors. As of June 30, 2018, we had over 5,000 such groups.
- *Interest groups (興趣圈)*. In addition, we create groups based on a common interest or a certain subject matter, similar to a classic bulletin board system. Some of these interest groups have a strong M&C flavor. For example, we have a Breastfeeding Camp (母乳餵養大本營) group, which had over 9 million members and close to 1 million discussion topics as of June 30, 2018. There has been a proliferation of such extended groups, and the discussions have gone beyond pregnancy and parenting to include topics such as marriage, family relationships, fashion, lifestyle, shopping and even TV shows. For example, as of June 30, 2018, our popular Ladies' Mood (女人心情) group had over 16 million members and more than 600,000 discussion topics. As of June 30, 2018, we had over 1,000 interest groups.
- *Private groups (小圈子)*. We also allow users to create their own “private groups” which only approved users may join. As of June 30, 2018, we had more than 320,000 such groups.

On our bulletin boards, we selectively use screen space to promote relevant merchandise available for sale on our e-commerce platform, so that users interested in a discussion, whom we believe are also likely to be interested in certain related types of commercial merchandise, can switch to the shopping mode easily. We place commercial ads similarly.

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Below is a sample screenshot of the homepage of our bulletin boards, with annotations of its various features:



Q&A

We host several programs through which users may ask questions and seek answers on topics that interest them.

- User to user.* We offer *Community Q&A* (社區問答), a function free of charge for logged-in users to post short questions and for other logged-in users to post replies. Some of the most popular topics include pregnancy test, newborn vaccination and pre-education. Such interaction accumulates exponentially over time as our community grows. The sheer quantity of such interactions creates a formidable barrier for potential new market entrants. As of June 30, 2018, our users had posted an aggregate of more than 35 million questions and more than 127 million answers under the *Community Q&A* program, averaging more than 3.6 answers per question.
- User to expert.* We offer *Expert Q&A* (專家答) and *Ask the Doctor* (快問醫生), two programs through which users may consult with experts. As of June 30, 2018, we had a total of over 568,000 exchanges under *Expert Q&A*, which had attracted on average more than 53 audits (including promotional free audits) per exchange. For a detailed description of these programs, see “—Monetization—Content Monetization” in this section.

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On the homepage of our Q&A programs, users can find conspicuous buttons to raise questions to experts or peers. The page also features a flashback of recent questions from *Community Q&A*, soliciting users' attention, as well as recent Q&A exchanges for users' to browse. Below is a sample screenshot of the homepage, with annotations of its various features:



Blogs

See “—Out Platforms—PC and WAP.”

Content

Content, especially our vast library of comprehensive and high-quality pregnancy and parenting knowledge, is a foundation of our ecosystem. According to the Frost & Sullivan Report, we are the most comprehensive and high-quality parenting knowledge online platform in China.

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Our content, in terms of origin, falls broadly into three types: professional-generated content, or PGC, user-generated content, or UGC, and professional user-generated content, or PUGC. Our content is a dynamic and interactive mix of PGC, UGC and PUGC. On the one hand, we maintain a large and growing library of PGC, which provides guidance, on issues that interest expecting parents and new parents, with authority. On the other hand, our users create a tremendous amount of UGC, often addressing real-time, highly individual scenarios with personal experience and local know-how. We also promote original content creation by select professional or quasi-professional users, which have spawned a large body of PUGC. From these motivated authors, we acquire fresh content on subject matters that our users find useful and relevant.

We have taken various measures to ensure that content generated and displayed on our platforms are in compliance with relevant laws and regulations and do not infringe third parties' intellectual property rights. We require users to read and accept the rules and policies of the relevant mobile app or website before they can register. Our rules and policies prohibit users from publishing or reposting sexual, horror and superstitious content or content that is insulting to others and prohibit any form of infringement of the privacy of others, among others. In cases of breach of our rules and policies, we may warn the noncompliant users, delete the noncompliant content, close their accounts and resort to legal procedures. Moreover, our contracts with external experts stipulate, among others, that the experts shall not (i) incite, insult, intimidate, threaten, harass or conflict with users in other ways, (ii) infringe any rights of third parties, or (iii) express or imply any medical advice or recommend any medicines or medical institutions. Experts are also responsible for the confidentiality of any user information and user data that are obtained during the service process.

In terms of the medium, our content is presented in the written text (including articles, journals and informal messages), audio (including plain recordings and audio books) and video formats.

PGC

Our PGC is a mix of general knowledge and customized information. Depending on the program, our PGC is authored by our in-house editors and writers, based on carefully selected and well-respected sources, or generated by our contracted experts, who are typically well-recognized professionals in their respective fields. Because our PGC is high-quality, and covers a comprehensive spectrum of subject matters relating to pregnancy and parenting, it continues to attract users to our *Babytree Parenting* platform.

We curate our PGC to maintain quality and promote relevance to users. On a general level, our in-house editors and writers select materials that we believe, based on our understanding of the subject matters and our analysis of our users' interests and preferences, are suitable for inclusion in our PGC library. We also carefully draft and edit knowledge pieces to form a consistent style and tone, which we believe our users can recognize and appreciate. At the individual level, we recommend content to users using automated algorithms based on our proprietary data analytics on user behavior. The degree of precision depends on the amount of data available on a user's background and preferences, including core bio data, gender and location, as well as search and browsing history on our platforms. As of June 30, 2018, we had an in-house content team of 34 editors and writers. The team leader has over 10 years of experience in the publishing industry.

Free content

Dating back to the inception of our business, we have traditionally provided PGC to users free of charge. Our free PGC is found in the following programs:

- **Articles.** We maintain a repertory of articles and make them available to users for free. Each article is a collection of information and tips on a certain subject matter, often adorned with graphics. Our repertory articles are organized first by four age groups: pre-pregnancy, pregnancy, newborns and young children (up to age 6). Within each age group, the articles are further organized by theme. The themes broadly cover health and well-being, early education and lifestyle topics. As of June 30, 2018, we had over 11,000 articles in 73 thematic sub-categories in our repertory. We either own the copyright of our articles or are licensed to use them.

Users can save articles to their personalized favorite list and share articles to their *WeChat*, *QQ* and *QZone* accounts. Users can “like (有用),” “dislike (吐槽)” and comment on articles, and, if they want to know more about a subject matter, tap “ask the expert (問專家),” which will take the user to our *Expert Q&A (專家答)* program. Below are sample screenshots of a typical article on *Babytree Parenting*, with annotations of its various features:



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Near the end of an article, we typically list recommendations of related articles, community discussions and merchandise available for purchase located elsewhere on our platforms.

- *Journals.* As we specialize in pregnancy and childcare, we understand the common issues confronting expecting parents and new parents and the matters they should pay attention to at any given time in the pregnancy and child-bearing process. We select and edit these issues and our recommended solutions in *Babytree Weekly*, our free newsletter to users. For the 40 weeks of pregnancy and the first year after childbirth, we have prepared a newsletter for each week, as circumstances tend to change significantly week by week during these sensitive periods. The frequency of this publication is reduced to monthly for ages 1-2 and quarterly for ages 3-6. Accordingly, it is renamed *Babytree Guide on Child-rearing (1-6歲育兒指南)* for such periods. Our users can choose to subscribe and receive these journals by email. We have also made all of our issues of *Babytree Weekly* and *Babytree Guide on Child-rearing* available for browsing free of charge.
- *Audio programs.* As of June 30, 2018, we had more than 400 nursery rhymes in our library, available to users free of charge. Most of the nursery rhymes are children’s songs or lullabies carrying motifs and cultural references familiar to Chinese parents, developed by ourselves as part of a collection of early child education products featuring a cartoon character named Mika. We have licensed our rights to Mika products to an affiliate. See “Relationship with Our Largest Shareholder—Business Delineation.” We also license nursery rhymes from third-party content providers. As of the same date, we had more than 160 pieces of parenting music in our free library. These are typically pieces of popular classical music or light music for expecting mothers during pregnancy to relax or to play to their unborn fetuses or nursery rhymes with an educational element for new mothers to play to babies. These music pieces are also from the Mika collection.
- *Video programs.* We have two free video programs called *Baby Channel (寶寶看)* and *Mummy Channel (媽媽看)*. The videos in the *Baby Channel* are nursery rhymes performed by actors and cartoon characters and the videos in the *Mummy Channel* are presentations and tutorials on a wide range of topics. Some of the videos are from the Mika collection. We also select the videos systematically and license them from various third-party content providers. Similar to our repertory articles, the videos in the *Mummy Channel* are organized first by four age groups: pregnancy, ages 0-1, ages 1-3 and ages 3-6. Within each age group, the videos are further organized by theme. As of June 30, 2018, we had nearly 500 videos in *Baby Channel* and nearly 600 videos in *Mummy Channel*.

Premium content

Since 2016, we have introduced programs where users can purchase premium content. For example, users can pay a fee to consult with an expert or listen to the playback of an existing exchange between other users and experts on a topic of interest. We believe a good question from a user is as valuable as a good answer from an expert, as both help keep our knowledge base fresh and relevant, which in turn helps attract more users to come to us for content. We offer premium content through the following programs:

- *Expert lectures.* We launched *Expert Lectures* (開講), a program of online lectures on health and non-health topics given by doctors and other experts such as psychologists, relationship counselors and fitness counselors, in April 2017. These lectures take either of two forms:
 - full length lectures, which typically last for approximately 60 minutes. A full length lecture is designed to provide comprehensive coverage on all relevant aspects of a subject matter;
 - mini lectures, which typically last for three to ten minutes. A mini lecture is designed to give a succinct response to a specific question.

We record these lectures live and include the recordings in our video and audio knowledge library, where they will remain available for purchase and playback by other users. As of June 30, 2018, we had a total of 1,664 expert lectures available for sale. The average audience (including live audience and subsequent playbacks) for our expert lectures were 1,430 as of June 30, 2018.

Our top three *Expert Lectures* in terms of GMV cover the following topics:

- ways to increase breast milk production after delivery;
 - weight control for women in pregnancy; and
 - how to deal with eczema in babies.
- *Expert consultations.* We launched the *Expert Q&A* (專家答) program in August 2016. This program enables users to direct questions to a doctor or other expert of their choosing. We list the experts participating in this program online, together with a short bio of their background and expertise and fee requirements, for our users to review and select. Once a question is submitted (with the fee having been paid), the chosen expert will answer the question within 24 hours, in the format of an audio clip, usually one-to-two-minute long. If the chosen expert does not provide an answer within 24 hours after the question is submitted, the user will get a full refund.

There is another way users can participate in the *Expert Q&A* program. All the past Q&A exchanges are accessible online unless the user who initiated the question elected to hide the exchange. We maintain a page for each expert where the past Q&A exchanges involving that expert are listed in chronological order. We also edit and publish a “hot” list of Q&A exchanges, organized by theme, through which users may browse. If a user finds interest in a past Q&A exchange, she can “audit” it by paying a minimal price of RMB1.0. Effectively, the user would be purchasing the right to replay and listen to the clip for unlimited times. As of June 30, 2018, we had a total of over 568,000 Q&A exchanges listed online, which had attracted on average more than 53 audits per exchange (including promotional free audits). As of June 30, 2018, the most popular clip had been audited more than 303,000 times (including free audits).

We host another expert consultation program. In May 2017, we launched *Ask the Doctor* (快問醫生), a program designed to enable users to seek prompt responses to urgent questions, in partnership with a third-party online healthcare service provider. Effectively, we provide a gateway for our users to access the third party’s platform. There are a number of differences between this program and *Expert Q&A*. Exchanges under *Ask the Doctor* are private and will not be seen by other users; unlike *Expert Q&A* where a chosen expert gives a one-time, fulsome answer to the question addressed to her, in *Ask the Doctor* users submit questions without knowing who will answer them (the third-party platform will allocate the questions to its experts) but will have the opportunity to engage in back-and-forth follow-up discussions, up to a certain limit.

For a further description of these premium content programs, see “—Monetization—Content Monetization.”

UGC

When our users interact with each other on our *Babytree Parenting* platform, they create UGC. Our UGC is highly valuable to our ecosystem. Such content is not scientifically oriented, but often conveys wisdom of the crowd and reveals local customs and practices, which may be useful to our users and may not be available from the experts. More importantly for us, such content can instill a sense of camaraderie, which turns strangers into a community. For example, a new mother who posted a question why her baby will not eat may not necessarily expect a scientific answer; but she might achieve great satisfaction receiving responses from similarly situated women who share similar stories, give tips, or simply tell her not to worry. Our UGC accumulates exponentially over time as our community grows. The sheer quantity of our UGC creates a formidable barrier for potential new market entrants.

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Our UGC is found in the following programs:

- *Community postings.* Our users generate bulletin board posts, blog entries and related commentary. Traditionally these discussions tend to center on pregnancy and parenting topics, as members of our community share their experience and know-how in the various stages of pregnancy and parenting. The thematic range has expanded considerably over time. As professional and quasi-professional users emerge and proliferate on our platform, we categorize the content they create under PUGC. Following a recent upgrade of our *WeTime* mobile app, *WeTime* users may record and share their readings of children's stories. If a user's *WeTime* account and *Babytree Parenting* account are linked, her readings will be available under her *Babytree Parenting* account as well.
- *Community Q&A.* We offer a Q&A function free of charge for logged-in users to post short questions and for other logged-in users to post replies. Some of the most popular topics include pregnancy test, newborn vaccination, pre-education, antenatal training, fetal movement and stretch marks. Users can also search for answers given to previous users.

PUGC

Increasingly, we place emphasis on sourcing content produced by professional users as complement to our PGC and UGC.

Historically, we have sought to identify and foster such users internally. We search our community for users who are prolific with their postings or post regularly on certain subject matters that interest other users. We allow other users to "follow" them and become their "fans." If we find her postings sufficiently interesting, we will feature her as a KOL (達人). We promote these "home-grown" KOLs on our community platform so that more users can know about them and choose to follow them. We rank our KOLs based on weekly user views, on an overall basis and also under each of nine categories that they primarily write about, namely, pre-pregnancy, pregnancy, child-rearing, food and cooking, photography, travel, handicraft, fashion and relationships. We also publish rankings of top KOLs based on the overall number of followers and user views, respectively. We update these published rankings daily.

In April 2018, we launched *Babytree Accounts* (寶樹號), an open platform initiative for any content provider to establish a public account on our *Babytree Parenting*, *WeTime* and *Meitun Mama* platforms and reach our users directly. We have certified all of our existing KOLs as Babytree Accounts. The new public accounts included primarily institutions such as media outlets and MCNs.

We have created a designated area in every user's feed where content generated by the public accounts is displayed. With respect to each user, the selection and order of presentation of such content are determined by our automatic algorithms taking into consideration individual preferences

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of the user and general popularity of a particular piece of content. This enables us to better balance predictions based on the user's past behavior and new trends in the community as a whole so that each individual feed can be relevant as well as fresh to the user.

Public accounts may publish content in various forms, including text, audio and video. As of June 30, 2018, we had over 1,700 Babytree Accounts publishing content under eight categories, such as pregnancy, parenting and fashion. We believe that these content providers are attracted to our *Babytree Parenting* platform due to our brand reputation and our market-leading user base.


In addition, we offer financial incentives to such content providers, especially those focused on online shopping guides and product promotions. They can receive cash rewards based on page views on the content they generate; receive a share of the proceeds from advertising placed around their content; and earn a fee from sales successfully facilitated on our e-commerce platform. We continue to explore new forms of cooperation with KOLs, including, for example, video streaming and offline events.

Tools




As a matter of product design and UI, most of the functionalities on the *Babytree Parenting* platform are achieved via what we call “tools (工具).” The tools are utility-oriented applets with specific functions. Our product development philosophy is centered on identifying what our users will find useful as they live through the pre-pregnancy, pregnancy, childbirth and early parenting stages of their lives and incorporating tools to satisfy such needs.

Most of the tools on *Babytree Parenting* aim at small and discrete tasks. We organize the tools into three broad categories: tools for pregnancy, tools for parenting and other tools. As of June 30, 2018, we had eight tools for pregnancy, 21 tools for parenting and 30 other tools.





The table below sets forth the main features of some of our popular tools:

Tool	Description
<i>Pregnancy Tools</i>	
	<p>Dietary guide (能不能吃) “Dietary guide” provides dietary guidance to people of different groups, including pregnant users, postpartum users and nursing mothers. Users can read the compiled directory that divides food into 12 categories or search a specific type of food using the search function at the top of the interface. Brief pros and cons of each type of food to each group are introduced in the profile of such food.</p>

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Tool	Description
 B-Ultrasonography analysis (看懂B超單)	“B-Ultrasonography analysis” sets out the list of indicators and the reasonable range of each indicator for fetus of different stages.
 Fetal movements tracker (數胎動)	“Fetal movements tracker” helps record and track the movements of the fetus.
 Prenatal examination timetable (產檢時間表)	“Prenatal examination timetable” sets forth the recommended time for each prenatal examination, the key focuses, required tests, examination methods and points for attention.

Parenting Tools

 Nursing record keeper (餵養記錄)	“Nursing record keeper” tracks detailed information on feeding and the baby’s bowel movements and sleep.
 Dietary supplement (輔食大全)	“Dietary supplement” introduces dietary supplements suitable for infants of different ages and the recipes.
 Vaccination checklist (疫苗時間表)	“Vaccination checklist” provides a checklist of vaccinations that infants of different age groups need to receive. It also indicates whether a vaccination is compulsory or discretionary. The profile of a vaccination sets out the reasons, the scientific theory and the vaccination method. Users can also set vaccination alerts on the vaccination checklist.
 Growth Evaluation (兒童成長管家)	“Growth Evaluation” tells users where their babies are in the skill learning process through the analysis of results of a survey, and provides corresponding suggestions.

PC and WAP

Due to the nature of our business, we have a relatively young user base. Because our child-bearing age demographic tends to be more tech-savvy, and given the explosive growth of mobile-based technologies which have profoundly changed the lifestyles of many Chinese, we prioritize the development of mobile access to our platforms. Most of our product development focus is on our mobile apps.

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Users can access our platforms via a mobile-optimized WAP interface that is largely similar to our mobile apps in terms of appearance and functionality. We also provide a PC version for most of what users can find on our mobile apps. For legacy reasons, some content or features may be organized or presented differently on PC and WAP from our mobile apps. Below are sample screenshots of the PC and WAP homepages of *babytree.com*:

PC



WAP



We also have a limited amount of PC-only functionalities. Notably, we offer traditional blogs to registered *Babytree* users free of charge on PC. Each user has a personal homepage, named a “*little home* (小家),” where the user may post text blog entries and upload photo albums and videos. A user may “follow” another user, save a blog entry to her favorite list, leave a comment or send a private message to that user. We select and promote interesting blog entries and uploaded photos by featuring them on the homepage of our traditional blog and shared photo album community, which we call “*thousand homes* (萬家).” If a *Babytree* Parenting PC user opens an account on the *WeTime* platform and confirms the connection between the two accounts, her photos previously uploaded to the traditional photo albums on *babytree.com* will be automatically added to her *WeTime* timeline.

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Even though PC and WAP are not at the forefront of our innovation, these interfaces have important significance for our users and for us.

- *For our users.* Despite the popularity of smartphones, some users still prefer PC for better legibility on a larger display or (for some users during pregnancy) for avoidance of the perceived risk associated with mobile phone signals. In addition, some users prefer to use a tablet to browse the Internet which includes searches through a web browser. Our content often shows up in the results of popular search engines, even though we as a matter of policy do not pay such search engines for better rankings.
- *For us.* Firstly, they remain important for our brand. We still receive a significant amount of user traffic to our PC and WAP, for the reasons described above. We had 126.8 million, 150.7 million, 122.3 million and 72.8 million average MAUs on PC and WAP in 2015, 2016 and 2017 and the first half of 2018, respectively. We had 137.6 million MAUs on PC and WAP in June 2018. These remain important channels through which new users come to know our name. We believe one factor for a downward fluctuation in late 2017 and early 2018 was changes in algorithms adopted by popular search engines affecting the ranking of our web pages in search results. Our number of MAUs on PC and WAP fluctuated upwards towards the middle of 2018 which we believe was a testament of the ability of our user base to grow organically based on word-of-mouth referrals and recommendations. Secondly, according to the Frost & Sullivan Report, despite the increasing popularity of mobile apps, PC and WAP still contribute a large portion of new user traffic to online platforms. Therefore, PC and WAP remain an important source of new users for our mobile apps, as we employ technological means to prompt users on our PC and WAP interfaces to download our mobile apps.

WeTime

We position *WeTime* as an exciting second platform focused on child development. In our current design, *WeTime* will be a dual-purpose mobile app: it will be a social recording medium, for young families to chronicle and share memorable moments as they grow, and, over time, also become an online depository of early education content and tools with a marketplace approach.

We launched *WeTime*, then an image-sharing app, in October 2014. We had 1.1 million, 1.7 million, 1.9 million and 2.0 million average MAUs on *WeTime* in 2015, 2016, 2017 and the first half of 2018, respectively. We had 4.4 million MAUs on *WeTime* in June 2018. For the twelve months ended June 30, 2018, the average one-month retention rate and the average three-month retention rate of our *WeTime* mobile app was 51.8% and 40.7%, respectively. As of June 30, 2018, our users had uploaded a total of more than 480 million photos and over 40 million short videos on *WeTime*, averaging approximately 122 photos and 44 short videos per registered *WeTime* user who had uploaded photos or videos. In April 2018, we launched a major upgrade of *WeTime* to implement our new vision for this platform, incorporating a brand new suite of interactive reading-focused functionalities. As of June 30, 2018, we had over 1,600 audio clips in various formats on *WeTime*.

Vision

We place strategic importance on *WeTime* as it forms a natural extension of our flagship *Babytree Parenting* platform, extending the life cycle of our users and further broadening our user base. We do not intend for *WeTime* to be merely a second mobile app for *Babytree Parenting* users. Instead, we aim to develop *WeTime* into a premier child development platform for growing young Chinese families, with a longer user engagement period, to approach a full cycle of age -2 to age 6 or even later, and a broader user base, from expecting mothers and new mothers to fathers, other family members and friends.

The extension is evident on two dimensions. In terms of the age profile, the *WeTime* users are generally older in the pregnancy and parenting cycle. In terms of the family role profile, as compared with the mother-centric *Babytree Parenting*, many *WeTime* users are non-mothers.

As we charge *WeTime* with the second purpose and go about building an online marketplace for early education, we envision a new dimension of strategic value to us. We have witnessed a proliferation of online-offered, online and offline-delivered products and services aimed at the early education sector. We believe that, similar to many other sectors today driven by the winds of technology, such as retail, entertainment and finance, this sector is also subject to the trend of separation of providers who specialize in making superior products and popular platforms on which the products reach users. We believe that, based on our leading position as M&C-focused community platforms, we are well positioned to fulfill the role as distribution platform for this sector to unlock value for our marketplace participants.

Functionalities

Social recording

The traditional functionalities on *WeTime* are recording and sharing of photos and videos. Users may post and share images with friends, family and other followers. The images can be accompanied by textual captions. Users can also post and share text-only blog entries with greater length. Together, *WeTime* is a comprehensive social recording medium.

A defining characteristic of *WeTime*, which distinguishes it from other social recording apps, is its predominant focus on the pregnancy and parenting experience and the accompanying sense of intimacy. Postings by a user on *WeTime* are organized chronologically by where such user was in the process. We call this the user's "*little home* (小家)," as a nod to the namesake traditional blogs on the PC version of our *BabyTree Parenting* platform. A majority of the images posted on *WeTime* feature mothers and babies and family events involving young children. Compared with general purpose social networks, *WeTime* is distinctively made by and made for young families. We have designed the *WeTime* environment to accentuate this distinction, so that users feel more comfortable posting images and words recording intimate family moments and sharing them with people they trust.

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WeTime enables users to express themselves and stay connected. Users can “like,” comment on or share postings of others. Users can also “follow” others and discover new postings and new users to follow by exploring the *WeTime* community. We have designed for each user a dedicated feed to display content from the community. In this feed, a user is constantly updated with postings from users she follows as well as trending or recommended content from the community that we curate for her by automatic algorithms.

Below is a screenshot of a typical post on *WeTime*, with annotations of its various features:



Online early education

As we sought to add a second purpose to *WeTime*, we identified interactive reading as the starting point.

Verbal communication from a parent is the universal beginning of a child's education. Based on our research, young parents spend a great amount of time communicating to babies (even unborn fetuses) by sound, for example, reading aloud from a children's book, humming a lullaby or playing

a piece of music. We believe that such early educational experiences, together with images, sit at the very center of some of the most intimate moments of a young family, as parents observe, learn and interact with a baby and the baby recognizes, responds to and grows with the parents. Since our users were already using *WeTime* to record images of children's developments, we thought that adding online early education content and tools, beginning with those focused on interactive reading, could create powerful synergy to further lengthen and meaningfully deepen user engagement with *WeTime*.

Currently, the interactive reading-focused functionalities on *WeTime* include the following:

- *Stories (故事)*. These are audio clips (typically presented on the smart phone in video format with the background of a static picture) of children's stories read by readers registered on *WeTime*, including pieces read by our founder, Mr. Wang. Some of these are classic bedtime stories, others are meant for daytime reading. As of June 30, 2018, we had close to 600 such clips on *WeTime*.
- *Audio picture books (繪本)*. Compared with plain stories, these are audio clips demonstrating a flip-through of children's picture books, accompanied by images audio tracks. The stories are similarly read by readers registered on *WeTime*. As of June 30, 2018, we had more than 170 such clips on *WeTime*.
- *Nursery rhymes (兒歌)*. Some of the nursery rhymes are shared from *Babytree Parenting*. As of June 30, 2018, we had more than 700 such clips on *WeTime*.
- *Music for the unborn baby (胎教)*. In addition, we also host soothing music that expecting mothers in pregnancy can play to the unborn babies. As of June 30, 2018, we had close to 200 such clips on *WeTime*.
- *Parenting lectures (父母課)*. In June 2018, we added free and paid lectures on parenting topics. As of June 30, 2018, we had 23 such clips on *WeTime*.

Some of the audio clips are from the Mika collection. We also license audio clips from various third-party publishing houses, early education services providers and other content generators.

Initially, we engage child education experts and other personalities to read stories that are recorded and played on *WeTime*. Going forward, we intend to invite interested mothers to record their own readings, which may potentially be selected and featured on the *WeTime* platform.

As a key interactive feature of *WeTime*, any user can already record her own readings that can be stored under her account and shared with her contacts on both *WeTime* and *Babytree Parenting* (if she has linked her accounts). The user can choose to read from a picture book that we already have on the platform, following scripts that are displayed on the screen in karaoke style, or simply read her own story.

Meitun Mama

Meitun Mama is our e-commerce platform comprising the *Meitun Mama* mobile app and *meitun.com*. For a detailed description of our e-commerce operations, see “—Monetization—E-Commerce.”

The functionalities of our *Meitun Mama* platform are deeply embedded on our flagship *Babytree Parenting* platform. On *Babytree Parenting*, a switch to the *Meitun Mama* front page is placed conspicuously on the main navigation menu. Throughout *Babytree Parenting*, we also place merchandise promotions and ads alongside content and social features, with links to specific product pages on *Meitun Mama*, based on our big data analytics of user preferences. With one tap or click, users can enjoy integrated e-commerce functionalities as if they had not left the *Babytree Parenting* environment. As a matter of technology infrastructure, back-end data are fully shared across the platforms.

We are thus able to direct users to *Meitun Mama* from *Babytree Parenting* efficiently, which lowers customer acquisition cost of our e-commerce business. Our highly targeted user demographic has an inherent and inelastic demand for predictable types of products over a period of time and highly values the quality of such products. User trust in our content and in our community can lend immediate confidence to such products if they are on offer (which they often are) on the e-commerce platform within the very same ecosystem. Once the quality is proven through purchases and trials, users become confident in our e-commerce products, which helps create a virtuous cycle for loyalty and stickiness. As of June 30, 2018, for example, most of user traffic, measured by unique visits, to our *Meitun Mama* platform originated from other *Babytree* platforms. Deep integration with a dedicated user base also contributes to customer loyalty. On daily average, 66.8% of our e-commerce customers who placed orders in June 2018 were repeat customers.

As compared with other e-commerce operators in the market selling similar types of merchandise, we believe we have several distinctive qualities. Firstly, rather than competing on price for standard products, we focus more on non-standard products compared with other e-commerce operators. In 2017, sales of our non-standard products and standard products accounted for 67.4% and 32.6%, respectively, of our GMV. For the six months ended June 30, 2018, sales of our non-standard products and standard products accounted for 65.7% and 34.3%, respectively, of our GMV.

Secondly, we place great emphasis on quality and safety. We believe that quality control is of paramount importance for our e-commerce platform, as we deal in products that will be used by the tenderest members of society. Any lapse could cost us user trust and erode the foundation of our ecosystem. See “—Monetization—E-Commerce—Quality control and product returns.”

Thirdly, based on our user database and big data analytics, we already have a deep understanding of what products many users may need at any given time. Instead of listing merchandise statically for browsing and selection by all potential customers alike, we are able to present personalized shopping environments for our customers, highlighting items in which they may be interested. Also, many users arrive at particular product pages following personalized recommendations we have provided. Effective cross-marketing can help increase the conversion rate on our *Meitun Mama* platform.

Our C2M business is a compelling showcase of the strengths of our e-commerce platform based on a highly relevant user base and strong data analytical capabilities. Using big data analysis, we identify customer “pain points” and work with OEM partners to produce SKUs that satisfy such poignant needs. Our C2M business is a successful extension of our *Meitun Mama* platform and presents an exciting monetization model for us. See “—Monetization—E-Commerce—Revenue Models—C2M.”

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MONETIZATION

Our ecosystem is founded on our community and our content. Over 11 years, we have, by creating and maintaining powerful social networks and aggregating comprehensive and high-quality content, established a strong bond with our users and built a most trusted brand among young Chinese families. In the process, we have accumulated a large and loyal user base and developed various models of monetization.

Advertising

We offer advertising opportunities throughout our multi-platform ecosystem. Initially, most of our advertising clients had a background in the M&C product-related industries. Over the years, we have further accumulated an increasing variety of advertising clients with a background in non-M&C family services, such as pharmaceuticals, cosmetics, skin care, automobile and financial services. For our advertising clients with an M&C background, we believe we are their natural top choice due to our industry-leading, high-quality user base that is their general target demographic and our technical capability to further reach the most relevant user groups with precision. For clients from other industries, we believe they appreciate the value in our user data and share our vision that we can help address the needs of our users in different stages of their lives beyond M&C products. See “—Monetization—Alibaba Collaboration” below for recent developments in our advertising business.

Advertisers can purchase ads either through agents or from us directly based on their preferences and internal requirements. Following industry practice, some customers place orders with us through agents even though we maintain direct relationships with them. The following table sets forth certain key operating and financial data of our advertising service for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
Number of advertising clients	336	505	338	152
Number of new advertising clients	279	398	171	47
Number of repeat clients	57	107	167	105
Number of “key account” clients ⁽¹⁾	10	13	23	15
Revenue from advertising service (RMB in millions)	167.3	267.9	372.4	298.1
% represented by revenue from advertising service out of total revenue (%)	83.7	52.6	51.0	73.2

Notes:

- (1) We had entered into framework cooperation agreements with key account clients and provided comprehensive advertising solutions to them.

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We have derived a growing proportion of advertising revenue from mobile ads (ads on our mobile apps) as we allocate more resources to promote mobile ads. In 2017, mobile ads and PC ads accounted for 63.0% and 37.0%, respectively, of our advertising revenue. For the six months ended June 30, 2018, mobile ads and PC ads accounted for 83.8% and 16.2%, respectively, of our advertising revenue.

Formats

We offer a wide variety of display-based and performance-based ad formats and ad spaces on our platforms, such as banner ads, button ads, rectangles, news feed ads, picture-in-picture ads, text links, boot screen ads and platform notices. We also offer solution-oriented ads in the form of product trials, promotional content pieces and product placements. We offer precision advertising to our advertising customers through our self-developed system, *Matrix*, built on our big data analytic infrastructure. When advertisers request an advertising campaign from us, they typically specify the characteristics of the type of users they would like to target, for example, age, location, gender, self-defined user tags or other online behavioral data. *Matrix* takes into consideration various factors including mothers' pregnancy periods, users' responses to certain posts on *Babytree Parenting*, key words searched on *Meitun Mama*, views and responses on blogs, among others. We do not display ads to selected groups of users based on certain criteria simplistically; instead, we display different combinations of ad formats and expressions in different ad spaces to different groups of users based on our big data analysis and automatic algorithms. We then measure the relative effectiveness of the ads based on metrics such as the click-through rate and adjust the ads display and delivery strategy accordingly. We prepare *Matrix* reports for our advertising clients upon request. Our key account clients often use multiple ad formats to create integrated campaigns. For example, one of our major advertising clients used a combination of rectangle ads, pictures, text links and banner ads to promote its baby formula products during 2017. Our advertising clients usually provide raw materials to us for the ads, which we further edit and product into ads displayed. In other cases, we review proposed ads produced by our clients (or outsourced third parties) before displaying them.

We use an analytical tool, *Babytree Sword* (寶樹之劍), to assess the effectiveness of our ads across our platforms (as measured by purchases on our e-commerce platform) and to further understand the demographics of the end-customers for the relevant products. Our *Babytree Sword* helps us visualize the impression, click-through and conversion rates of ads placed in the available ad spaces across our platforms and generate customer profiles based on product purchasing patterns including geographic distribution, age distribution and pre-purchase online behaviors (such as page views and searches). We use *Babytree Sword* to supplement our big data analysis in placing ads.

Pricing models

We sell online ads under several pricing models, including CPM and CPC. The CPM model is best used for driving brand awareness and building brand visibility. Every 1,000 views, or "impressions," of ads will be charged at the CPM unit cost. A client buys 1,000 "impressions" and 1,000 ads will appear across our platforms. Top brands which purchased ads for branding from us during the Track Record Period included *Friso* and *Wyeth*. The CPC model focuses on conversion. When users click on an ad, they will be taken directly to the advertiser's website and the advertiser pays us the cost of that click.

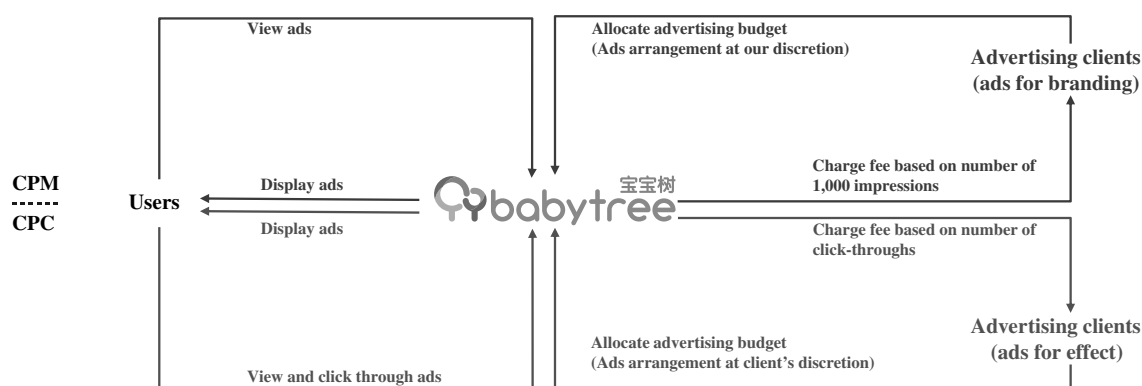
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The table below sets forth the services provided to different types of advertisements:

	<u>Ads for branding</u>	<u>Ads for effect</u>
<i>Pricing model</i>	CPM	CPC
<i>Customized service</i>	Value-added consulting service, where we make advertising and promotion plan together with customers	P4P, where customers can use our self-service advertising platform to place ads
<i>Customer type</i>	Blue-chip / large customers and medium-sized customers	Long-tail / small customers

Diagram

The diagram below illustrates the flows of actions, products and payments and the roles of the various parties involved in our advertising business under the CPM and CPC models:



E-Commerce

We conduct our e-commerce operations on the *Meitun Mama* platform, primarily via the e-commerce functionalities deeply embedded on our flagship *Babytree Parenting* platform. Such integration helps us better meet our users' needs and distinguishes us from competition. For an analysis of the benefits of such integration, see "Business—Our Platforms—Meitun Mama." In 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, we had 1.4 million, 2.7 million, 2.7 million, 1.8 million and 1.4 million paying users, respectively, on our e-commerce platform. See "—Monetization—Alibaba Collaboration" below for recent developments in our e-commerce business.

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Revenue models

We conduct our e-commerce business in two formats: marketplace and direct sales. We display our products by category based on individual recommendations and general popularity, without distinguishing products offered in the marketplace and direct sales models. The following table sets forth certain key operating and financial data of our e-commerce business for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
GMV (RMB in millions)	465.3	1,273.2	1,467.9	557.7
- % of GMV from marketplace (%)	90.1%	85.5%	85.8	89.5
- % of GMV from direct sales (%).....	9.9%	14.5%	14.2	10.5
% of GMV from repeat customers (%)	71.5	68.2	68.0	69.8
Paying users for e-commerce (in millions)	1.4	2.7	2.7	1.4
Average orders per paying user	3.7	4.8	5.4	4.5
Revenue from e-commerce (RMB in millions).....	32.7	240.2	332.6	90.6
% represented by revenue from e-commerce out of total revenue (%).....	16.3	47.1	45.6	22.2

Marketplace

Under the marketplace model, third-party vendors offer merchandise to customers on our e-commerce platform, and we as the owner and operator of the platform charge commissions on their sales. As of June 30, 2018, there were 2,049 vendors in our online marketplace. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, the GMV under the marketplace model was RMB419.0 million, RMB1,088.6 million, RMB1,260.0 million, RMB685.3 million and RMB499.1 million, respectively. During the Track Record Period, our take rate was generally around 10%.

We provide display, transaction and billing services for all orders in our online marketplace. We have high standards for admitting vendors on our platform, including (i) qualification requirements: we require domestic vendors to provide their business license, tax registration certificate, organization code certificate, product quality inspection certificate and any other special qualification or permit required for any specific product category, and require international vendors to provide official documents to prove their legal establishment or incorporation, bank account certification, tax registration certificate, brand licensing agreement and import permit; (ii) credit requirements: We require our third-party vendors to meet our standards for authenticity and reliability and comply with our quality control policies. See “—Monetization—E-Commerce—Quality control and product returns” below; and (iii) evaluations: We conduct random evaluations of third-party vendors through

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interviews with our e-commerce operation team, financial institutions, industry associations and site visits by our sales and marketing staff, focusing on third-party vendors' basic information, business condition, transaction record and financial condition, among others. We aim to offer our customers the same high-quality shopping experience regardless of the source of products they choose.

Direct sales

Under the direct sales model, we purchase products from suppliers and sell them to customers as principal. Under such model, we have confident control over the products as we source them directly, take inventory, arrange for delivery, and provide customer service. We usually adopt the direct sales model for products that require higher quality and better safety, such as baby formula and diapers. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, the GMV under the direct sales model was RMB46.3 million, RMB184.6 million, RMB208.0 million, RMB121.8 million and RMB58.6 million, respectively. Under the direct sales model, most of the GMV during the Track Record Period was derived from products sourced from certain suppliers designated by the brand manufacturers, with a small portion from suppliers selected by us according to our internal standards.

The table below sets forth major differences between our marketplace and direct sales models:

	<u>Marketplace</u>	<u>Direct sales</u>
<i>Our role</i>	Platform owner and operator	Seller
<i>Source of revenue</i>	Commissions	Sales
<i>Source of profit</i>	All commissions are gross profit	Pricing and cost structure
<i>Pricing decision maker</i>	Vendors, with our guidance and advice	Us
<i>Party responsible for inventory</i>	Vendors	Us
<i>Party responsible for delivery</i>	Vendors	Us
<i>Party responsible for promotions</i>	Usually vendors, with our advice and consent; sometimes us	Us
<i>Party responsible for customer service</i>	Vendors are responsible for post-sale services; our customer service team accepts and convey feedback from customers to vendors and monitor the service process	We are responsible, with the right to claim indemnity from suppliers

C2M

C2M is a unique segment of our e-commerce operations that we started in 2017 as a natural consequence of our expanding data collection and analytical capabilities. We use a data analytical system called *Babytree Index* to monitor our platforms in real time for trending keywords in content that is published, to keep ourselves apprised of the community *zeitgeist* and to pick up leads on our users' needs. In our C2M business, we identify these needs, study the feasibility of developing products to satisfy them and engage manufacturing partners to bring the products to market. We believe this is a high value-added monetization model that is exemplary of our ability to use big data to unlock the commercial potential of our ecosystem.

We conceived the idea of a C2M business after a number of early successes. In the first quarter of 2017, we detected a surge in searches for “eczema.” We then looked into the relevant community discussions and found that users were discussing eczema developed around the bottom and mouth of babies, which some users attributed to chemicals used in wiping tissues they had used. After an analysis, we concluded that this was a marketable “pain point,” and our market studies convinced us that wiping tissues with no chemical additives could be a commercially viable product. We then searched through various channels for a suitable manufacturing partner to potentially develop this product, and settled on Shandong Sun Paper Co., Ltd., a reputable paper manufacturer with a solid track record on quality and innovation, who already had a relevant patent. We signed a strategic cooperation agreement with the partner and proceeded to produce prototypes. We came out with a proud product that is ultra-soft, water-soluble (because no glue is used) and baby-safe. We launched this product in July 2017 on our e-commerce platform and had achieved an accumulated GMV of over RMB220,000 as of June 30, 2018.

Also in 2017, we detected that many users were wishing for paper diapers for their babies that were softer and safer than what were then commercially available, for more comfort and to avoid diaper rash. We went through a similar “pain point” analysis and market studies. We then connected with a reputable paper manufacturer in Hunan province who was interested in our idea. Through our manufacturing partner, we used a production line imported from Italy to ensure quality and achieve extra softness and adopted a sterilization standard that was ten times more stringent than the PRC national requirement; we also omitted harmful chemicals such as fluorescent agents and adopted special designs to alleviate pressure on the baby's navel, prevent side leakage and reveal color signals when the diaper is wet. We launched this medical-grade, fungus-resistant and fluorescent agent-free paper diaper product in October 2017 on our e-commerce platform. As of June 30, 2018, we had achieved an accumulated GMV of over RMB1.3 million from this product.

The success of our initial C2M products confirmed our belief that we were capable of identifying user pain points and develop marketable private-label products. We thought this presented an exciting opportunity for us to build a unique monetization avenue and have subsequently rolled out a variety of other C2M products. We have set in place internal procedures for C2M product R&D, from lead discovery to partner search (including feasibility study), design and quality control, manufacturing preparation, product launch and internal post-launch tracking.

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Currently we offer two categories of C2M products. The first category carries the marketing name *Babytree Custom-made* (寶寶樹專定). With these products, we focus on addressing customers' unmet needs and they are typically mid-to-high-end products. As of June 30, 2018, we had more than 900 such SKUs on offer. The second category is more akin to private label products offered by large retailers. With these products, we focus primarily on affordable quality. We analyze data from our e-commerce platform and identify products to which customers are particularly sensitive in terms of price movements. We may then develop private label products that are both price-competitive and commercially sensible to us. As of June 30, 2018, we had over 1,500 such SKUs on offer. As of June 30, 2018, we had 91 C2M manufacturing partners. Our C2M products are sold directly by us.

The table below sets out select details of some of our popular C2M products:

Category	Product	Launch date
Babytree Custom-made products	Medical-grade paper diapers	October 24, 2017
	Ice pads for baby fever	October 10, 2017
	Baby teether balls	October 9, 2017
	Water-dissolvable paper napkins	July 25, 2017
	Breast pads	September 29, 2017
	Iodine-based antiseptic	October 9, 2017
	Dental products for women during pregnancy and after childbirth	November 1, 2017
Private label products	Rooqee babies thermal underwear	October 19, 2017
	Rooqee babies casual pants	September 22, 2017
	Softpure nursing bra	July 18, 2017
	Softpure Staylace	August 3, 2017

Revenue derived from our C2M business in 2017 was included under direct sales. Revenue derived from our C2M business in the first half of 2018 was included under either direct sales or marketplace.

Merchandise

Users can find a wide variety of merchandise on *Meitun Mama*. We offer a differentiated product mix, including internationally sourced products, products with high demand or high profit margin and private label products, among other things.

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For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we sold a total of over 265,000, 535,000, 543,000 and 338,000 SKUs, respectively. As of the Latest Practicable Date, we had approximately 6.0 million SKUs on offer in our marketplace. The table below sets forth the major categories of merchandise on our e-commerce platform as of June 30, 2018:

Category	Description	Major brands
<i>Consumables</i>	Paper diapers, pregnancy products, etc.	<i>Babytree custom-made, Bobdog, Huggies</i>
<i>Wash products</i>	Body wash for pregnant women, body wash for babies, etc.	<i>Babytree custom-made, Springbuds, Dexter, Baby Elephant</i>
<i>Apparel</i>	Maternity dresses, baby clothing, baby accessories	<i>Muqian, Mengmi, Jiqianli, Ai Qi Bei Mei Le</i>
<i>Food</i>	Baby formula, dietary supplements	<i>Wyeth, Pin Zan Fresh, Dr. Herbs</i>

Pricing

Under our direct sales model, we seek to price our merchandise appropriately to attract and retain customers on the one hand and to protect our profit margin on the other hand. We believe we are able to focus on competing on quality, and not solely on price, to meet the needs of our stable and loyal user base. Nevertheless, we make continual efforts to maintain and improve an efficient cost structure and create incentives for our suppliers to provide us with competitive prices. We typically negotiate with our suppliers for prices that are comparable to or lower than those offered to retailers. We offer discounts on a selection of products on special occasions, such as China's online shopping festival on the "Singles' Day" (November 11). We also hold promotions from time to time for selected products for a limited period of time. Currently, third-party vendors are free to set their own prices in our online marketplace.

Payment

Customers may pay online at the time they place the order, using domestic credit or debit cards or third-party online payment platforms such as *Alipay* and *WeChat Pay*.

Quality control and product returns

In our direct sales, especially with respect to the international orders, we normally source product directly from producers and avoid intermediaries such as distributors. With respect to the products in our online marketplace offered by third-party vendors, we also require them to source products directly from producers. In addition, we conduct regular and random inspections of products to ensure compliance with our quality standards. As of June 30, 2018, we had an in-house "vendor management" team consisting of 14 members undertaking this task. We engage external quality control subcontractors to inspect the qualifications of the vendors. During the Track Record Period, we had not been subject to any penalties from any relevant regulatory authorities in connection with any counterfeit products sold on our platform.

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We generally allow customers to modify or cancel an order any time before our warehouse starts sorting and packing. Customers can add or remove items and change the delivery address and delivery method only before they submit the order.

Most of our products can be returned for any reason within seven days after the acceptance of delivery except for products purchased through our international direct sales, which are non-returnable as required by relevant laws and regulations. We offer dedicated pre-sales and after-sales consulting services, and require our customer service staff to patiently answer customers' questions and handle after-sales return and exchange matters. Return policies and procedures are clearly set out and easily accessible on our e-commerce platform. Customers shall submit a return application, setting forth the reasons for return and pictures of the products. Once approved, a return order and a refund form will be generated in our system. Customers shall ship the products back to us, with a sheet attached to the package setting forth the order reference, contact details and reasons for return. Upon receipt, the warehouse will examine and accept the returned products. If the returned products are accepted, the accounting department will refund the purchase price to the customer per the return order and refund form.

During the Track Record Period, we did not receive any material complaints or product returns from customers.

Sourcing

We sourced products from approximately 62 suppliers for the six months ended June 30, 2018 for our direct sales. We select suppliers for our direct sales on the basis of brand, reliability, historical record, volume and price. The suppliers must be able to meet our demands for timely supply of authentic products and provide high-quality after-sale customer service. Before engagement, we perform background checks on our candidates. We inspect their business licenses and the qualification certificates for their products, and evaluate their brand recognition and the market reputation of their products. We normally enter into one-year framework agreements with our suppliers and renew them annually if we are satisfied with the relationship.

Vendor relationship

We have adopted stringent selection criteria for admitting third-party vendors to our e-commerce platform. In evaluating the qualification and eligibility of third-party vendors, we review and consider a number of qualification documents. Domestic vendors are required to provide basic qualification certificates, including business licenses, tax registration certificates, organization code certificates and product quality inspection certificates. Special qualification certificates are required for certain products. The qualification documents required for international vendors include official company certification documents, bank account certificates, tax certificates, legal person certification documents, brand authorization documents and import permits.

We have put in place stringent rules to govern the operations of third-party vendors in our online marketplace. We conduct reviews on the performance of third-party vendors daily and impose penalties on non-compliant vendors weekly. We impose different levels of penalties on third-party

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vendors according to the extent of their non-compliance, including fines of various tiers, suspension of eligibility for participation in promotional activities, public warning, confiscation of relevant merchandise, temporary removal of all merchandise of a vendor from our platform and termination of operations in our marketplace.

Inventory management

Our merchandizing team members are knowledgeable about our existing and potential customers' needs and preferences. Before selecting products for our direct sales, we consider and analyze historical sales data, seasonality and customer feedback to project the quantity of a particular product we should procure, to minimize our inventory.

We generally do not pay in advance for the products that we purchase from our suppliers, except that we usually make prepayments for international orders one month in advance. We aim to maintain no more than 60 days' inventory. As of June 30, 2018, we had three warehouses, located in Ningbo, Beijing and Shanghai. Our Ningbo warehouse is located in a bonded area, and we use it for our international orders.

Delivery

We leverage our large-scale operations and reputation to obtain favorable contractual terms from the couriers. We deliver orders to all areas in China through reputable third-party logistics companies with nationwide coverage. To reduce the risk of reliance, we typically contract with two or more regional couriers in each major city. We regularly monitor and review the couriers' performance and their compliance with our contractual terms. We typically negotiate and enter into service contracts with them on an annual basis. We do not charge for delivery of products above a certain price threshold, except international orders.

For our direct sales, once placed, an order will go into our warehouse management system for order confirmation, product preparation, product sorting and packaging. A packaged product will be relayed to the contracted courier for delivery. For our marketplace sales, once placed, an order will go into the backstage management system of the relevant third-party vendor for preparation and delivery.

Our warehouse management system and the backstage management systems of third-party vendors are connected to the order management systems of the couriers, and our customers are able to track their orders throughout the delivery process.

Customer service

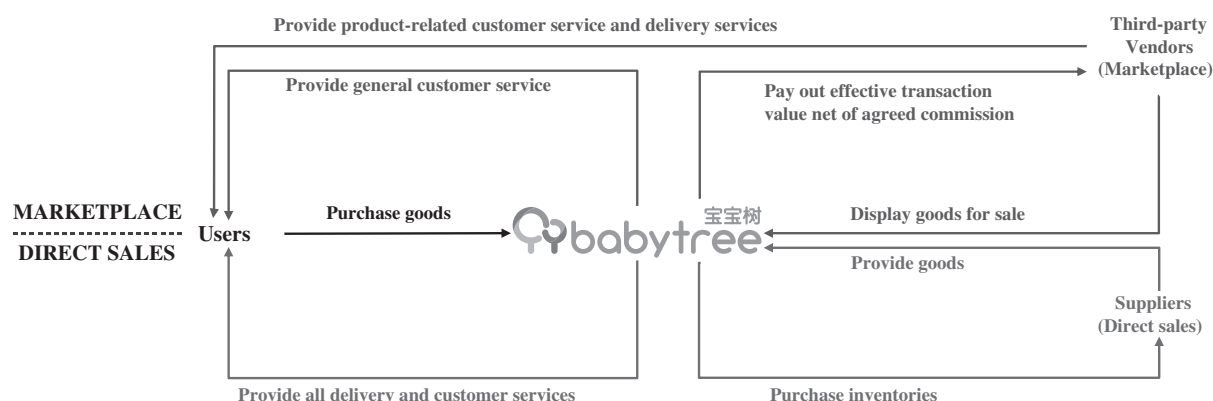
We believe our emphasis on customer service enhances our brand image and customer loyalty. Our customer service center provides real-time assistance to our customers. Customers can access our sales and after-sales service hotlines via phone or online representatives via *WeChat* or email from seven days a week.

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We had 115 customer service representatives in our customer service center as of June 30, 2018. We train our customer service representatives to answer customer inquiries and proactively educate potential customers about our products and promptly resolve customer complaints. Each representative is required to complete mandatory training, conducted by experienced managers on product knowledge, complaint handling and communication skills.

Diagram

The diagram below illustrates the flows of actions, products and payments and the roles of the various parties involved in our e-commerce business under the marketplace and direct sales models:



Content Monetization

In 2016, we began offering premium content for which we charge a fee. We currently offer a number of premium content programs. See “—Our Platforms—Babytree Parenting—Content—PGC.” In 2016, 2017 and the six months ended June 30, 2018, revenue generated from our premium content was RMB1.7 million, RMB24.7 million and RMB18.8 million, respectively, from 0.7 million, 2.8 million and 1.3 million paying users, respectively.

Our paying users value quality and customized responses when they encounter problems in their pregnancy and parenting cycle, especially those related to health issues. They are willing to pay for better assurance from an expert in the field. We believe that the current generation of young parents are more receptive to the concept of paying for content that they believe would be superior to free content.

Initially, our premium content programs were focused primarily on health subjects, and formed an important component of our healthcare business (“大健康”) strategy. We understood that mothers in pregnancy and early parenting often experience stress and have a great need for quick answers to health conditions that emerge from time to time. These conditions are typically not medical in nature and do not require a therapeutic assessment. Rather, they are often normal occurrences, just unfamiliar to new mothers. We thus perceived a market opportunity for Internet-based health advisory services through which the new mothers could quickly gain practical knowledge to alleviate their concerns.

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We have subsequently expanded the scope of our premium content, which now also includes education, lifestyle and fashion topics to cover the broader needs of China's young families.

Pricing

- *Expert Lectures (開講)*. We price our expert lectures primarily based on the type of the lecture. For full length lectures, we generally have two price levels: RMB12.9 for health-related topics and RMB9.9 for non-health-related topics; a mini lecture costs RMB1.9. The proceeds from the expert lectures are split among the experts, the experts' employers and us for 90 days (full length lectures) or 180 days (mini lectures) from launch. We are entitled to a majority of such proceeds. After the expiration of such time periods, we retain all the proceeds. In January 2018, we launched a membership program for our *Expert Lectures*. Under the program, users can purchase a package consisting of 500 pre-selected expert lectures with RMB138.8 (or, occasionally, RMB99.9 after a discount) and we are entitled to all the proceeds.
- *Expert Q&A (專家答)*. The experts in this program list their expertise and fee requirements for our users to review and select. The fee requirements could differ considerably, typically ranging from RMB20 to RMB499. Once a question is submitted (with the fee having been paid), the chosen expert undertakes to answer the question within 24 hours, in the format of an audio clip, usually one-to-two-minute long. If the chosen expert does not provide an answer within 24 hours after the question is submitted, the user will get a full refund. The proceeds from such *Expert Q&A* exchanges are split among the experts, the experts' employers and us. It costs RMB1.0 to "audit" a past Q&A. The user who posed the question in the initial exchange is entitled to a share in the proceeds from subsequent audits in the first 90 days from the date the question was answered. The revenue from the audits is split among the questioners, the experts, the experts' employers and us. We are entitled to a small portion of the proceeds from the *Expert Q&A* program.
- *Ask the Doctor (快問醫生)*. Under our agreement with the third-party online healthcare service provider behind the *Ask the Doctor* program, once a user raises a question on our platform and pays the prescribed price of RMB29.9, the question will be routed to our partner for further handling, and we will pay the partner a portion of the price.

From an accounting perspective, we act either as principal or agent in our various content monetization programs. See "Financial Information—Critical Accounting Policies and Estimates—Revenue Recognition—Content monetization." We act as principal in the *Expert Lectures* program and with respect to audits of exchanges in the *Expert Q&A* program, and we act as agent in the *Expert Q&A* (except audits) and *Ask the Doctor* programs.

Relationship with experts

As of June 30, 2018, we had established a cooperation relationship with 641 experts, who are engaged in various free or paid knowledge products on our platform. Most of our experts are doctors from the deputy chief physician level (副主任醫師) and above from Class III Grade A hospitals

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(三級甲等醫院) and well-recognized private hospitals in China, as well as returnees from recognized international universities and institutions with certifications. Our non-doctor experts include scholars, practitioners in a relevant health field and childcare specialists. We select our non-doctor experts according to the following internal standards:

Category	Standards
<i>Dieticians</i>	current or retired dieticians from public hospitals or dieticians with a Level III dietician certificate
<i>Psychologists</i>	psychologists with a degree of the psychology major or a Level III psychologist certificate
<i>Childcare specialists</i>	influential childcare specialists
<i>Other experts</i>	other experts in relevant industries with certifications recognized in such industries

We enter into either collective cooperation agreements with institutions or individual cooperation agreements with experts. The key terms of our cooperation agreements are as follows:

- *Rights and obligations of the medical institutions/experts.* Experts must have the relevant qualifications and certifications to perform the agreement and provide us with their real names, occupations, titles, photos and bios. Experts may not (i) advertise, expressly or impliedly, healthcare products, pharmaceuticals, hospitals or medical institutions; (ii) deliver lectures or answer questions beyond their area of expertise; (iii) provide any diagnostic advice or medical treatment; (iv) lead our users, in any manner, to any third party online or offline platform for any service; (v) disclose any confidential information obtained from users to any other party or (vi) violate any law or public policy.
- *Our rights and obligations.* We will display and promote the profiles of the experts on our platforms on a continuous basis. We have the discretion to offer discounts and gift cards to users to promote our content monetization products, provided the discounted price will be no less than 75% of the original price. If the discounted price will be less than 75% of the original price, we must seek the prior consent of the medical institutions.
- *Payment.* We must pay the service fee to the specified bank account of the medical institution on a monthly basis or to the account of the individual on a monthly basis according to the agreed split.
- *IP.* We will have free, permanent, irrevocable and non-exclusive copyright of the content provided by the experts on our platforms and have the right to use or present such content in any form. Without our prior consent, the experts may not copy or quote any content published on our platforms elsewhere, in particular any competing platforms.

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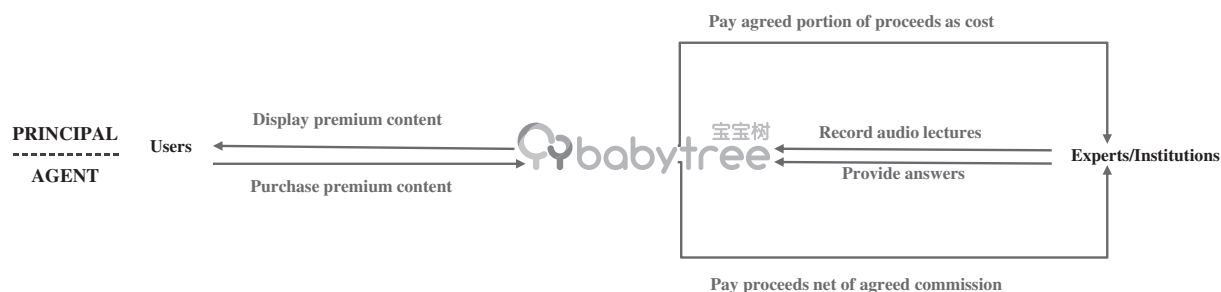
- *Term.* The agreement has a term of one year and can be renewed by mutual assent prior to expiration.
- *Suspension.* We may suspend our engagement with the relevant expert who (i) advertises healthcare products, pharmaceuticals, hospitals or medical institutions, (ii) provides false qualifications or bio, (iii) publishes information on our platforms through any other party, (iv) delivers lectures or answer questions beyond their area of expertise, (v) provides any diagnostic advice or, (vi) leads our users, in any manner, to any third party online or offline platform for any service, (vii) discloses any confidential information of users or (viii) violate any law or public policy.
- *Liability.* Experts will be solely responsible for any dispute, arbitration, litigation or penalty caused by them or arising out of their activities.

Since most of our expert lectures and *Expert Q&A* exchanges are in the audio or video format, it is relatively unlikely that a contracted expert does not genuinely participate in the program and have another person to act in her place under false pretenses. Nevertheless, we perform random quality control checks on our expert programs. We monitor scenarios where experts are not able to answer questions within 24 hours and will maintain communications with such experts. In addition, customers can give us feedback anytime they are not satisfied with experts' answer and require a refund or another answer.

Users of the iOS system can purchase our premium content with “TreeCoin (樹幣)” which they can purchase through *Apple Pay*. Android users can purchase our premium content directly through *Alipay* or *WeChat Pay*.

Diagram

The diagram below illustrates the flows of actions, products and payments and the roles of the various parties involved in our content monetization business under the principal and agent models:



Alibaba Collaboration

In May 2018, we received a strategic investment from Alibaba (through its wholly-owned subsidiary, Taobao China). See “History—Pre-IPO Investment.” In conjunction with the equity investment, we also entered into a strategic collaboration agreement with Taobao (China) Software Co., Ltd (an indirect subsidiary of Alibaba), which sets out a framework to commence deep collaboration with Alibaba in various fields, including e-commerce, advertising, C2M, content monetization and potentially other businesses. The agreement expires on December 31, 2023, subject to renewal.

We set out below the key terms of the strategic collaboration agreement and our current expectations for the implementation details as we continue to discuss with Alibaba:

- *E-commerce (excluding C2M).* Pursuant to the agreement, Alibaba will become our exclusive strategic partner in our e-commerce business and provide operational services to us. We expect to continue to manage our e-commerce business, from customer sourcing, SKU selection, placement and categorization, quality control and customer service. Alibaba will be responsible for sourcing and contracting with third-party vendors (with our consent) as well as payment infrastructure support and processing and merchandise delivery. We expect to continue to record GMV from our e-commerce customers.
- *Advertising.* We expect that our advertising business will benefit from the Alibaba collaboration from a number of aspects, including direct ad placements by Alibaba or merchants from Alibaba’s platforms and indirect boost to our existing advertising business from enhanced e-commerce operations.
- *C2M.* We will continue to manage our C2M business. We will establish a flagship store on Alibaba’s Tmall platform to market our existing and future C2M products. We may also develop new C2M product series for the private label line of Alibaba’s Taobao platform, and profit from the sale of such private label line product series will be shared between Alibaba and us.

The strategic cooperation agreement sets out a framework for our cooperation with Alibaba for the next five years. Alibaba has agreed to certain commitments under the strategic cooperation agreement. Alibaba’s undertakings in the strategic cooperation agreement are subject to various conditions, including but not limited to minimum amounts of user traffic targets across our platforms during the relevant periods. Assuming the satisfaction of these conditions, our strategic cooperation with Alibaba is currently expected to generate significant e-commerce and advertising revenues for us over the 2018-2019 period.

We believe that Alibaba’s industry-leading e-commerce business, user and service resources and execution capabilities could help us in enhance our existing monetization models and potentially develop new ones, thereby further unleashing the commercial potential of our ecosystem.

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INTELLECTUAL PROPERTY

Intellectual property is fundamental to our success and competitiveness. We rely on a combination of copyright, trademark, domain names, software registration, trade secret and unfair competition laws and contractual rights, such as confidentiality and license agreements with our employees, partners and external experts to protect our intellectual property rights. As of the Latest Practicable Date, we had registered a total of 615 trademarks and made 198 applications for trademarks with the SAMR, registered 10 works of art with the National Copyright Administration of the PRC, registered 54 major domain names, including, among others, *meitun.com*, and registered 35 software copyrights in China.

During the Track Record Period, certain of our intellectual properties were infringed by third parties. See “Risk Factors—Risks Relating to Our Business and Industry—If we are unable to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.”

Under the relevant agreements with external experts, we own the copyrights of any contents created on our platform with the experts or their institutions, and share the income derived from contents created by them pursuant to agreed revenue-sharing arrangements.

TECHNOLOGY

Infrastructure

System and infrastructure

Our network infrastructure is designed to satisfy the requirements of our operations, to support the growth of our business and to ensure the reliability of our operations as well as the security of information on our platforms. As of June 30, 2018, we had a dedicated technology team consisting of 329 engineers. We incurred RMB57.0 million, RMB72.8 million, RMB78.5 million, RMB36.7 million and RMB53.0 million in research and development expenses in the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. With a focus on enhancing user experience, we will continuously improve our mobile apps and websites, upgrade our software and hardware technologies to support advanced user profiling and big data capabilities, and hire more qualified engineers. We expect our research and development initiatives after Listing to include: (i) recruiting and retaining technical talent to develop and upgrade mobile apps and websites with more functionalities by providing competitive compensation and opening development centers in emerging technology hubs; (ii) maintaining and strengthening our IT infrastructure and data infrastructure to accommodate our business expansion; and (iii) further developing our artificial intelligence algorithm, including deep learning methodologies such as neural network and social network analysis, as well as our artificial intelligence technologies, including image recognition, NLP, augmented reality and computer vision, to enhance user experience. See “Future Plans and Use of Proceeds.”

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Cloud. We have contracted with independent cloud-computing companies, including TencentCloud, AliCloud and Qiniu Cloud to use their cloud services, including, among other things, computing, storage, server and bandwidth offerings. Cloud computing provides us with easily scalable storage and on-demand solutions. Our IT team can connect the cloud from any location, using any PC, tablet or smartphone. Data can be backed up in the cloud regularly in short intervals, minimizing the risk of loss. Our current cloud service agreement with TencentCloud has a term of one year. The agreement with TencentCloud has been renewed as we continue to use, and TencentCloud continues to provide, the cloud services after the initial expiration date. Our current cloud service agreement with AliCloud has a term of one year and are renewable upon mutual assent on the expiration date. The expiration date for our agreement with AliCloud is October 31, 2018. Our current cloud service agreement with Qiniu Cloud has a term of one year and will expire on February 28, 2019. This agreement shall automatically renewed unless expressly terminated by either party prior to the expiration date.

IDC. We have established two Internet data centers (IDC) in Beijing and Shanghai to enable the storage and processing of large datasets and facilitate our community and e-commerce businesses. With IDC, we keep certain critical data, such as users' core bio data, in-house. We have contracted with independent IDC service companies for the management and maintenance of our IDCs. Our current IDC service agreements have a term of one year. The agreements will be renewable either automatically or upon mutual assent if we continue to use, and the relevant counterparty continues to provide, IDC management and maintenance services after the expiration date.

Software. Our software development capabilities enable us to update our mobile apps every two weeks, and correct errors within one to two hours in case of emergency.

System maintenance and management

Backup. We back up user data on a weekly basis in secured data back-up systems to minimize the risk of data loss or leakage. We also back up incremental data daily. We conduct frequent reviews of our back-up systems and regular data recovery testing to ensure that they function properly and are well maintained. In addition to online backup, we also back up user data monthly in offline disks and put the disks in the safe custody of contracted banks. We have implemented procedures such as password policy, user authorization review and approval and storage media management, to safeguard our information assets and ensure the proper management of our operational data.

Security. Our network configuration is secured at multiple layers to isolate our databases from unauthorized access and we use sophisticated security protocols for communication among our mobile apps and websites. We adopt a four-layer security maintenance system and evaluate (i) whether a user IP is trustworthy; (ii) whether the device used to login to our platforms is known to us. If a new device is used, the user needs to complete a verification process before being admitted to our platforms; (iii) whether a user is concurrently visiting an untrusted app; and (iv) whether the information provided is trustworthy. We also monitor the visits per minute by the same user IP to prevent data theft. To prevent unauthorized access to our system, we utilize a system of firewalls and also maintain a

perimeter network to separate our external-facing services from our internal systems. Our system security team produces a loophole report weekly. We categorize potential security loopholes on various levels according to their risk profiles, and take preventive measures accordingly. During the Track Record Period, we did not experience any material security breach.

Big Data Analytics

We receive highly valuable core bio data from our registered users. User interactions within our ecosystem generate extensive behavioral data. Considered together, we have China's largest commercial database of M&C groups, according to the Frost & Sullivan Report. High-quality and extensive data about our users help us further understand their profiles, pinpoint their needs, personalize user experience more accurately and explore new product and service offerings, and develop effective and efficient modes of monetization on our scalable platforms.

A key component of the technology capabilities that underpin our user-centric strategy is our automated algorithms which we developed and will continue to improve. Our sophisticated big data processing and analytic capabilities enable us to use artificial intelligence to study and predict the behavior of individual users and develop more effective strategies. As of June 30, 2018, we had a dedicated data analytics team consisting of 34 engineers within our technology department.

Our strong data collecting, filtering and analyzing capabilities are underpinned by our grasp and application of fundamental technologies, such as:

- *Unified user ID management.* We are able to connect different user IDs a user may have registered under different apps, so that activity data of that user under the different apps can be analyzed together, which helps increase data accuracy and improve user experience across the apps;
- *Babytree Index.* We use a data analytical system called Babytree Index to monitor our platforms in real time for trending keywords in content that is published, to keep ourselves apprised of the community *zeitgeist* and to pick up leads of what our users may need. We may investigate manually on certain leads to explore the full implications;
- *Advanced user tagging system.* We run deep learning algorithms and assign up to thousands of tags in our user tagging system based on user consumption behaviors and bio data to achieve accurate user profiles. Matching user tag with content tags, we can “push” highly personalized content to users based on our prediction of their interests. We keep improving our click-through rate by ranking e-commerce products based on customer preferences; and
- *A/B testing.* We use A/B testing to test new ideas, train our models and optimize our algorithms. Continuous iterations help improve user profiling, result in more accurate personalization and increase purchase or click-through rates.

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Artificial Intelligence

We are committed to developing our business and optimizing our platforms using artificial intelligence technologies, such as image recognition technology and NLP.

- *Image recognition.* We use image recognition technology to analyze valuable data in photos uploaded to *WeTime*, such as products, product logos, scenarios, family members, mood, and use them as helpful additional dimensions to user data. Image recognition is used to perform a large number of machine-based visual tasks, such as labeling the content of images with tags and performing image content search, which will help us target our advertising, explore potential markets and formulate business strategies.
- *NLP.* We are building up our NLP capabilities for computers to analyze, understand and derive meanings from human language in a smart and useful way. By utilizing NLP, we can organize and structure knowledge to perform tasks such as automatic summarization, relationship extraction, sentiment analysis, speech recognition, and topic segmentation.

PRIVACY

In the ordinary course of our business, we collect various data from users, in particular users' core bio data and behavioral data. Users are required to provide bio data for registration on our platforms. For basic registration, we only require core bio data, including where a user is in the pregnancy and parenting cycle. A user can also choose to provide more information to us, including a telephone number or an email address, and become a fully registered user with a user ID. We also collect users' behavioral data as users use our platforms, such as page views and searches. We value our users' privacy and adopt strict policy and strong product features to ensure our compliance with privacy protection laws. On a basic level, our objective is to give users choice over what they share and with whom they share it. We believe that by providing our users with clear and easy-to-use controls, we will continue to promote trust in our products. For example, when a user posts a status update or uploads a photo on our bulletin boards or the *WeTime* app, our in-line controls allow the user to select her audience. Users only can view posts open to public through the search function of our platform. In addition, we have introduced other personal information control tools and techniques. For example, a user can view his or her activities on the timeline of his or her profile or the *WeTime* app, delete a specific post or change who can see a photo.

Our abuse reporting infrastructure allows users to report inappropriate, offensive or dangerous content through "report" links found on nearly every page of our web and apps. Our users can block other users whose posts they do not wish to see. We also employ proprietary technologies to protect our users. For example, if we suspect that a user's account may have been compromised, we may use a process that we refer to as "social authentication" to validate that the person accessing the account is the actual account.

We continue to build new procedural safeguards as part of our privacy program. These include a dedicated team of professionals who are involved in new product and feature development from design through launch; ongoing review and monitoring of the way data are handled by existing features and apps; and rigorous data security practices. We regularly work with online privacy and

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safety experts and regulators. We design our products to include robust safety tools. These tools are coupled with partnerships with online safety experts to offer protections for all users. From an internal policy perspective, we strictly limit the number of personnel who can access our servers that store our user and internal data, and only grant such access on a “need-to-know” basis. During the Track Record Period and up to Latest Practicable Date, we did not experience any material information leakage or loss of user data.

As confirmed by our PRC Legal Advisors, we are in compliance with the applicable PRC laws, rules and regulations relating to the collection, use, disclosure or security of personal data in all material respects.

SALES AND MARKETING

We believe that our user base has grown primarily through word-of-mouth referrals by virtue of the quality of our content and the bonding power of our social network. This unique mode of referral and recommendation from one cohort of new mothers to the next also means that our new user acquisition cost is relatively low, because we have less need to incur significant marketing expenses solely to attract new users.

For brand image building, we employ a variety of traditional and Internet promotional activities to build our brand as part of our overall marketing strategy. For example, we co-organize marketing and promotion campaigns with our advertising clients to raise our brand awareness. We send automated birthday messages and complimentary coupons to our users.

For 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, our selling and marketing expenses amounted to RMB193.4 million, RMB139.9 million, RMB145.7 million, RMB69.3 million and RMB84.0 million, respectively.

AWARDS AND RECOGNITIONS

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we and our Founder have received are set forth below.

Award	Year	Awarding Entity
Best M&C Marketing Platform	2018	Phoenix Tree Awards
Best Mobile App: <i>Babytree Parenting</i>	2017	The 3rd Cherry Awards
Best Family Life Recording Mobile App: <i>WeTime</i>	2017	China National Radio
Leading Brand of the Industry: BabyTree	2017	World Brand Summit
Leading Figure of the Industry: WANG Huainan	2017	World Brand Summit
Top 100 Mobile Apps: <i>Babytree Parenting</i>	2017	The Economic Observer

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COMPETITION

According to the Frost & Sullivan Report, the M&C-themed online community sector in China is experiencing rapid growth; many new entrants often choose to replicate brands that already have market influence so as to rapidly expand their market and user base, which leads to homogeneous competition. We compete primarily with other M&C product and service providers.

In terms of our e-commerce business only, we compete with non-specialty e-commerce operators and M&C product-focused e-commerce platforms. The M&C products are not exclusively available online and, as such, we also face competition from traditional offline retailers of such products.

We believe our brand reputation enables us to compete effectively against our competitors. However, some of our current and potential competitors may have longer operating histories, larger customer bases, better brand recognition, stronger platform management and fulfillment capabilities and greater financial, technical and marketing resources than we do. See “Risk Factors—Risks Related to Our Business and Industry—Our business is highly competitive. If we are unable to compete effectively, our business, financial conditions and results of operations may be materially and adversely affected.”

CUSTOMERS

Our customers primarily include advertising customers (including advertisers and advertising agencies), users who make purchases on our e-commerce platform and users who purchase or subscribe for our premium content.

We have a broad base of customers. Our largest customer for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 (in each case, an advertising customer) accounted for 12.3%, 6.6%, 8.0% and 7.1%, respectively, of our revenue. Our top five customers (advertising customers including advertising agencies and a baby formula distributor) accounted for 33.7%, 21.5%, 25.7% and 31.4% of our revenue for the same periods, respectively. In 2017, our five largest customers included: (i) a distributor of dairy products (including baby formula) based in Shanghai; (ii) an advertising company that provides ad design and production services based in Xinjiang; (iii) an advertising company that provides ad design and production and public relation consultancy services based in Shanghai; (iv) an advertising company that provides ad design and production services based in Shanghai; and (v) an advertising company that provides ad design and production services based in Shanghai.

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The following table sets forth details of our top five customers in 2015:

Rank	Customer	Sales amount (RMB'000)	Percentage of total revenue (%)	Length of relationship with the Group (years)	Credit term (days)
1	Customer A	24,664	12.3	5	90
2	Customer B	12,006	6.0	6	60
3	Customer C	11,671	5.9	3	90
4	Customer D	10,058	5.0	5	90
5	Customer E	8,974	4.5	5	90
		<u>67,373</u>	<u>33.7</u>		

The following table sets forth details of our top five customers in 2016:

Rank	Customer	Sales amount (RMB'000)	Percentage of total revenue (%)	Length of relationship with the Group (years)	Credit term (days)
1	Customer B	33,434	6.6	7	45
2	Customer A	30,745	6.0	6	90
3	Customer C	21,564	4.2	3	90
4	Customer D	12,319	2.4	6	90
5	Customer F	11,655	2.3	2	By quarter
		<u>109,717</u>	<u>21.5</u>		

The following table sets forth details of our top five customers in 2017:

Rank	Customer	Sales amount (RMB'000)	Percentage of total revenue (%)	Length of relationship with the Group (years)	Credit term (days)
1	Customer B	58,285	8.0	8	90
2	Customer G	40,217	5.5	2	120
3	Customer E	34,603	4.7	7	90
4	Customer H	28,321	3.9	2	By quarter
5	Customer A	26,311	3.6	7	90
		<u>187,737</u>	<u>25.7</u>		

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The following table sets forth details of our top five customers in the six months ended June 30, 2018:

Rank	Customer	Sales amount (RMB'000)	Percentage of total revenue (%)	Length of relationship with the Group (years)	Credit term (days)
1	Customer B	28,886	7.1	8.5	90
2	Customer I	26,884	6.6	0.5	120
3	Customer J	26,340	6.5	0.5	90
4	Customer A	23,293	5.7	7.5	90
5	Customer K	22,358	5.5	4.5	90
		<u>127,761</u>	<u>31.4</u>		

All of our five largest customers during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital or had any interest in any of our five largest customers. As of June 30, 2018, we had on average nearly five years' relationship with our five largest customers.

The key terms of our advertising service contracts with our key account advertising customers are as follows:

- *Format:* the contract stipulates the formats of ads to be displayed on our platforms, the volume of ads and the display schedule.
- *Price:* the prices of the ads shall be stipulated in the display schedule with reference to our latest internal pricing guidance.
- *Payment:* the advertiser shall make payments either before the execution of each display schedule for all the ads to be displayed under such display schedule, or monthly on an as incurred basis.
- *Standard terms and conditions:* our standard terms and conditions form part of the contract, which stipulates issues on legal and contractual requirements on the formats and content of the ads, representations and warranties of both parties, confidentiality, intellectual property rights and dispute resolutions, among others.

SUPPLIERS

Our suppliers primarily include suppliers of products sold through direct sales on our e-commerce platform.

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Our largest supplier accounted for 30.3%, 18.4%, 24.9% and 37.3% of our total purchases for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. Our top five suppliers accounted for 55.4%, 42.6%, 54.2% and 77.6% of our total purchases for the same periods, respectively. In 2017, our five largest suppliers included: (i) a distributor of daily supplies and paper diapers based in Yokohama, Japan; (ii) a distributor of paper diapers based in Shanghai; (iii) a distributor and retailer of dietary supplements based in California, USA; (iv) a vendor of electronic products including mobile phones based in Shanghai; and (v) a baby formula supplier based in Hong Kong.

All of our five largest suppliers during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, supervisors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers. As of June 30, 2018, we had on average nearly two years' relationship with our five largest suppliers.

The following table sets forth details of our top five suppliers in 2015:

Rank	Supplier	Purchase amount (RMB'000)	Percentage of total purchases (%)	Length of relationship with the Group (years)	Credit term (days)
1	Supplier A	15,430	30.3	1	0
2	Supplier B	4,225	8.3	1	30
3	Supplier C	2,957	5.8	1	30
4	Supplier D	2,857	5.6	1	15
5	Supplier E	2,752	5.4	1	30
		<u>28,221</u>	<u>55.4</u>		

The following table sets forth details of our top five suppliers in 2016:

Rank	Supplier	Purchase amount (RMB'000)	Percentage of total purchases (%)	Length of relationship with the Group (years)	Credit term (days)
1	Supplier D	31,402	18.4	2	15
2	Supplier A	16,382	9.6	2	0
3	Supplier F	11,014	6.4	1	0
4	Supplier G	7,590	4.4	2	30
5	Supplier B	6,415	3.8	2	30
		<u>72,803</u>	<u>42.6</u>		

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The following table sets forth details of our top five suppliers in 2017:

Rank	Supplier	Purchase amount (RMB'000)	Percentage of total purchases (%)	Length of relationship with the Group (years)	Credit term (days)
1	Supplier H	40,795	24.9	2	0
2	Supplier D	17,549	10.7	3	15
3	Supplier I	12,801	7.8	2	0
4	Supplier J	9,069	5.5	1	0
5	Supplier K	8,643	5.3	1	0
		<u>88,857</u>	<u>54.2</u>		

The following table sets forth details of our top five suppliers in the six months ended June 30, 2018:

Rank	Supplier	Purchase amount (RMB'000)	Percentage of total purchases (%)	Length of relationship with the Group (years)	Credit term (days)
1	Supplier H	12,848	37.3	3	0
2	Supplier L	7,182	20.8	1	0
3	Supplier M	2,600	7.5	1	0
4	Supplier N	2,148	6.2	1	0
5	Supplier I	1,986	5.8	3	0
		<u>88,857</u>	<u>54.2</u>		

The key terms of our supply contracts for our e-commerce direct sales are as follows:

- *Qualification.* The supplier shall hold all required qualifications for dealing in the products.
- *Delivery and acceptance.* The parties shall sign an order form for each supply. The supplier shall deliver the products in the manner stipulated in the order form. The products delivered shall conform, in form and substance, to the sample, if any, that we have accepted.
- *Quality.* The products shall satisfy all applicable quality requirements under relevant laws and regulations, industry standards and contractual requirements.

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- *Rejection and return.* We may reject or return substandard products and any conforming products that we have accepted but have not been sold out within six months since the acceptance.
- *Cost of delivery.* The supplier shall bear the cost of delivery of the order and the return of substandard products.
- *Price guarantee.* The supplier guarantees that it will offer us the same price discount as or a larger price discount than that it offers to other parties.
- *Settlement.* We shall pay the purchase price in installments as stipulated in the contract.
- *Post-sale services.* The supplier shall be responsible for returns by consumers due to quality reasons.

EMPLOYEES

Our human resources department is responsible for recruiting, managing and training our employees. As of June 30, 2018, we had 896 full-time employees, substantially all of whom were based in China, primarily in Beijing and Shanghai, with the rest based in Ningbo, Wuhan, Xiamen and Hangzhou.

The following table sets forth the number of our employees by function as of June 30, 2018:

Function	Number of Employees	% of Total
Technology	329	36.7%
Customer service	152	17.0%
Administration	146	16.3%
Sales and sales support	153	17.1%
Operations	116	13.0%
Total.....	<u>896</u>	<u>100.0%</u>

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. None of our employees are currently represented by labor unions.

As advised by our PRC Legal Advisors, we are in compliance with PRC laws and regulations relating to housing fund and social security in all material respects.

Recruiting

We endeavor to hire the best talented employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility.

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Our recruiting process primarily comprises the following stages:

- *Request for talent.* At the end of each year, each department submits a recruitment report to our Human Resource Center, setting forth the detailed recruitment plan of such department for the next year. The Human Resource Center consolidates the recruitment reports from all our departments into a Talent Recruitment Plan for our CEO's approval. Upon approval, the Talent Recruitment Plan will be the general guidance for recruitment for the next year. If any unplanned need for recruitment arises, the relevant department needs to submit a special request which needs to be approved by the vice president in charge of human resources.
- *Candidate sourcing.* We source candidates through both internal rotation and external recruitment, with a priority on internal rotation. We believe internal rotation can, on the one hand, solve internal surplus personnel, and on the other hand, match employees to jobs that are in line with their individual career visions. We also source external talents through various channels, including recruitment agencies, online channels including social networking platforms, internal referrals and on-campus recruitment events.
- *Screening and selection.* Our screening and selection processes primarily include (i) review and screening of resumes by our human resource department, (ii) selection of resumes by the recruiting department, and (iii) face-to-face interviews by the human resource department and the recruiting department.
- *Background check.* For applicants that passed the interview, the Human Resource Center should conduct a background check. Background check covers education, professional qualifications, past performance and past, pending or suspect violation of law.
- *Hiring.* We assign the selected candidates to specific positions, set their salaries and go through internal approval for hiring. Once approved, we send offer letters to the selected candidates.

Training

We conduct training for new staff every month and have periodic training for our full-time employees. Generally, our training focuses on developing the skills of website management personnel and technical personnel relevant to their work.

Several departments coordinate on staff training: (i) the Office of the President sets the annual training target; (ii) the Human Resource Center formulates the training system and procedures, develops training programs and leads the new joiner orientation and trainings on corporate culture, policies and rules; and (iii) each functional department sets the training target for the department and coordinates with the Human Resource Center on trainings on professional skills.

We have established a credit system to incentivize our employees to receive trainings. Each employee must obtain a minimum of 30 credits, equivalent to 30 hours, yearly, which will be required and considered for salary increase and position adjustment. Credit is assessed primarily by taking into account attendance, lecturer evaluation and course achievement.

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Our training programs primarily include the following:

- *Professional qualifications.* We provide qualification trainings, including general knowledge, job-specific knowledge and practical skills, to help them better serve their positions and seek career development opportunities.
- *Internal trainer development.* We offer internal trainer development trainings to primary and mid-level employees to cultivate our own trainers. We categorize our internal trainers into different levels according to their popularity, trainee feedback and experience, and pay hourly training fees in line with their levels.
- *Talent development program.* We provide customized trainings to employees with great potential in order to accelerate their growth. Our talent development program takes the format of both in-class training courses and sponsored training trips abroad.
- *New joiner training.* We organize monthly new joiner orientations to familiarize new hires with the culture, organization and internal rules of our Company.
- *Professional skills.* We provide professional skill trainings to all our employees to facilitate their performance.

The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. Our PRC Legal Advisors are of view that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the applicable PRC labor law and regulations in all material respects.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, as these are not mandatory under PRC laws. We do not maintain insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. During the Track Record Period, we did not make any material insurance claims in relation to our business.

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PROPERTIES

Owned Properties

As at the Latest Practicable Date, we did not own any real property or land use right.

Leased Properties

As of the Latest Practicable Date, we leased 19 properties in various locations with an aggregated GFA of approximately 18,746 sq.m. for use as office and warehouse.

As of the Latest Practicable Date, we had not filed the lease agreements for 15 out of our 19 leased properties with the local housing administration authorities as required under PRC law, primarily due to a lack of cooperation from the landlords in registering the relevant lease agreements, which was beyond our control. As advised by our PRC Legal Advisors, the non-registration of lease agreements does not affect the validity of such lease agreements. However, we might be ordered to rectify this non-compliance by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. The estimated total amount of penalty for our failure to file these 15 lease agreements is approximately RMB15,000 to RMB150,000. As of the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above. Our PRC Legal Advisors have advised us that the failure to file the lease agreements would not affect the validity of the lease agreements. For more information relating to risks associated with this non-filing, please refer to the section headed “Risk Factors—Risks Relating to Our Business and Industry—Some of our lease agreements have not been filed with the relevant PRC authorities and, as a result, we might be subject to administrative fines” in this Prospectus.

During the Track Record Period and as of the Latest Practicable Date, the actual use of one of our leased properties is inconsistent with the use stipulated in the land use right certificate. As advised by our PRC Legal Advisors, such leased property may be ordered to be returned by the competent authority. In the event that the lessor is required by the competent authority to return such property, we, as the lessee, intend to find alternative locations nearby and relocate in a relatively short time. We do not believe relocation of such leased property would cause any material disruption to our operations. Although we may incur additional relocation costs, our Directors believe that there will not be any material impact on our business, operations or financial position.

We had no single property with a carrying amount of 15% or more of our total assets as of the Latest Practicable Date and, therefore, we did not need to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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HEALTH, OCCUPATIONAL SAFETY AND ENVIRONMENTAL MATTERS

Because of our business nature, we are not subject to any specific rules or regulations in relation to environmental protection matters. We endeavor to create an environmentally friendly working culture. For our products distribution business, we engage third parties to ship and deliver our products to retailers and wholesalers. Therefore, we are not subject to significant health or safety risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department will, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems, developing a risk management culture and raising the risk management awareness of all employees. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as information system, financial reporting, internal audit and human resources.

Information System Risk Management

Our objectives for information system management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous, stable and compliant environment. We have implemented policies and procedures stipulating: (i) the release of mobile apps in the ordinary course and on an urgent basis; (ii) the operation of our platforms: we monitor certain key indicators and give an alarm if such indicators go beyond the security thresholds; (iii) the management of the authorities of our employees and business partners to access certain functions of our platforms; (iv) the management of the network and hard drive capacities and (v) troubleshooting: We categorize system malfunctions and accidents into three levels according to their seriousness and urgency, and implement different mechanisms to fix them. See “—Technology—Infrastructure—System Maintenance and Management.”

Financial Reporting Risk Management

We have implemented a financial reporting system, consisting of policies and procedures for: (i) bottom-up financial reporting: in the ordinary course of business, the financial personnel shall report to the manager of the financial department and the chief financial officer level by level. Any new business the accounting treatment methods for which has not been stipulated shall be reported to the chief financial officer in a timely manner; (ii) top-down inquiries: the audit personnel at the group level can request financial information from any member of the Group as work requires and ask questions about the information provided; (iii) assignment of responsibilities: relevant financial personnel perform document verification, review and bookkeeping in the accounting system according to their duties and authorities; (iv) book closing: monthly and quarterly accounts shall be reconciled

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and closed within the first seven business days of the next month or quarter; (v) accounting error correction: we have formulated different rectification measures for different types of accounting errors, including errors that occurred during the current accounting period, immaterial errors that occurred during the last accounting period and material errors that occurred during the last accounting period; (vi) financial statement preparation: each operating entity will prepare its monthly and annual financial reports. The monthly report of each operating entity shall be submitted to the Group within the first eight business days of the next month, and the annual report of each operating entity shall be submitted to the Group within 10 business days after the end of the year and (vii) financial statement analysis: financial analysis meetings shall be held regularly every month, during which the financial managers of each company shall present results of operations, financial condition and qualitative and quantitative analysis to the senior management. With these policies and procedures, we aim to ensure that the information reported and disclosed in the financial report is true, complete, accurate and timely.

Internal Audit Risk Management

We value the importance of our internal audit, as it is essential to our stable operation and sustainable development. The objectives of our internal audit are to monitor the implementation of applicable laws and regulations and our internal policies, procedures and standard operational procedures, to control our risk exposure at an acceptable level and to improve our business operations.

We have implemented an independent and vertical organizational system for our internal audit. We set up an Audit Committee under the Board of Directors to organize and guide our internal audit work. The Internal Audit Department regularly reports to the Audit Committee and submits reports on audit projects in a timely manner.

As the executive department of our internal audit, the Internal Audit Department is responsible for the supervision, evaluation and consulting independently. According to our internal audit procedures, the Internal Audit Department is responsible for auditing and monitoring the soundness and effectiveness of our internal controls, reviewing the reliability of accounting records and financial statements, analyzing and assessing our business policies and activities of our business units for appropriateness, efficiency and compliance, and auditing and appraising the performance of our management team.

Human Resources Risk Management

We have implemented a human resource management system to ensure the effective functioning of our Group, safeguard the legitimate rights and interests of both parties to the employment relationship and improve operating efficiency. Our internal human resource management system covers all the stages of employment relationship, from recruitment to probation, appraisal, transition and exit. See “—Employees” for further details.

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Anti-corruption

We have implemented internal anti-corruption rules to ensure compliance with relevant laws and regulations. Our anti-corruption rules define the scope of “corruption” and have detailed requirements as to gifts and banquets, conflict of interest and financial reporting. Our compliance department is responsible for the training, supervision and execution of our anti-corruption rules and reports to our chief executive officer. We have set up a corruption report center to collect information on suspected corruption incidents. We offer a reward to real-name informants who report proven corruption incidents. We also have investigation and punishment procedures in place.

LICENSES AND PERMITS

We are required to obtain various licenses, permits and certifications for our PRC operations. As advised by our PRC Legal Advisors, during the Track Record Period and as of the Latest Practicable Date, we have duly obtained and maintained all major licenses, permits and certificates required by PRC laws and regulations for our operations.

The following table sets out a list of material licenses and permits currently held by us:

<u>Certificate/License/Permit</u>	<u>Holder</u>	<u>Registered Number</u>	<u>Grant Date</u>	<u>Expiration Date</u>
ICP license	Zhongming	京ICP證060365	July 8, 2016	July 8, 2021
EDI license.....	Meitun Mama	滬B2-20160165	October 20, 2017	September 6, 2021

ICP License

Under the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), commercial service providers of Internet information shall obtain the ICP license from the telecommunications administration authorities at the provincial, autonomous regional or municipal level or the MIIT before engaging in any commercial Internet information services in the PRC. Therefore, we are required to obtain an ICP license to carry out commercial Internet information services. See “Regulatory Overview—Laws and Regulations in Relation to Telecommunication Services and Foreign Ownership Restrictions—Laws and Regulations in Relation to Telecommunication Services” in this Prospectus.

EDI License

We are required to obtain an EDI license to carry out EDI-related businesses. See “Regulatory Overview—Laws and Regulations in Relation to Telecommunication Services and Foreign Ownership Restrictions—Laws and Regulations in Relation to Telecommunication Services” and “—Laws and Regulations in Relation to Foreign Investments in the Value-added Telecommunications Industry” in this Prospectus. As Meitun Mama is wholly held by BabyTree Information, a wholly foreign owned enterprise, it is required to obtain a foreign investment approval in relation to the EDI license it holds from MIIT. As of the Latest Practicable Date, Meitun Mama had submitted the application for such foreign investment approval and obtained the Examination Decision on Foreign Investment in

BUSINESS

Telecommunication. Base on the interviews with MIIT on March 15, 2018 and June 8, 2018, MIIT confirmed that (i) there are no material legal obstacles for us to apply for the new EDI license for Meitun Mama as an enterprise which is wholly held by a wholly foreign owned enterprise; (ii) Meitun Mama can continue to operate its telecommunication business with its current EDI license before obtaining the new EDI license and (iii) Meitun Mama has been in compliance with EDI-related laws and regulations. As advised by our PRC Legal Advisors, MIIT is the competent authority to give the relevant confirmations and there are no material legal obstacles for our obtaining of the new EDI license.

Audio-Visual Program Services Permit

A permit is required for uploading audio and video content on our platforms. See “Regulatory Overview—Laws and Regulations in Relation to Internet Audio-visual Program Services” in this Prospectus. We have entered into a contractual arrangement with a third party audio-visual program services permit holder, under which we can upload audio and video content on the Internet in reliance on its permit. As advised by our PRC Legal Advisors, such arrangement is permitted by relevant laws and regulations in China. See “Risk Factors—Risks Relating to Our Business and Industry—We rely on a third party’s license to upload audio and video content and any deterioration of our relationship may materially and adversely affect our operations.”

LEGAL PROCEEDINGS AND COMPLIANCE

We are involved in legal and administrative proceedings and other disputes in the ordinary course of our business. The legal and administrative proceedings involve intellectual property right infringement claims and trademark objection applications, among others. The legal proceedings against us include claims relating to advertising service contracts, intellectual property infringement claims and employment disputes. During the Track Record Period and as of the Latest Practicable Date, there were no litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our business, financial position or results of operations.

RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

OVERVIEW

As of the Latest Practicable Date, Mr. Wang, through Wang Family Limited Partnership, controlled an aggregate of approximately 26.09% of the total share capital of the Company. Pursuant to the voting agreements with each of Tenzing Holdings 2011, Ltd., Jumei International and Bin Jiang (Hong Kong) Limited, respectively, Mr. Wang was also interested in and controlled an aggregate of approximately 9.00% of the total share capital of the Company as of the Latest Practicable Date. Immediately after the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised, Mr. Wang will be interested in and will control an aggregate of approximately 29.82% of the enlarged share capital of the Company. If the Over-allotment Option is fully exercised, Mr. Wang will be interested in and will control an aggregate of approximately 29.17% of the enlarged share capital of the Company.

BUSINESS DELINEATION

Our principal business focuses on the provision of community-based Internet content services and e-commerce business. During the relevant period in the Track Record Period and as of the Latest Practicable Date, Zhongming licensed one of its copyrights, namely, Mika Growing World - Baby Edition (米卡成長天地寶寶版), to BabyTree (Beijing) Consulting Co., Ltd. (寶寶樹(北京)諮詢有限公司) (“**BabyTree Consulting**”). BabyTree Consulting is a company established in the PRC and wholly owned by Beijing BabyTree Marketing and Consulting Co., Ltd. (北京寶寶樹市場顧問有限公司), which in turn is owned as to approximately 27.73% by Mr. Wang and 26.39% by Yadong Xinwei. It is principally engaged in retail sale of early-education products. To the best of our knowledge, it is not engaged in the provision of community-based Internet content services or e-commerce business, and therefore the business of BabyTree Consulting does not compete, and is not likely to compete with our business for the purpose of Rule 8.10 of the Listing Rules. During the relevant period in the Track Record Period, we have conducted certain transactions with BabyTree Consulting in our ordinary course of business, mainly including the aforementioned copyright licensing and provision of advertising and marketplace services. Such transactions during the Track Record Period are *de minimis*, and we do not expect to expand our business cooperation with BabyTree Consulting after the Listing. Since BabyTree Consulting is not a connected person of ours under the Listing Rules, the transactions conducted between BabyTree Consulting and us do not constitute connected transactions pursuant to Chapter 14A of the Listing Rules.

For details of the license granted, see “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of Our Group—(ii) Copyrights” in Appendix IV to this Prospectus.

Save as disclosed above, each of our Directors and our Largest Shareholder has confirmed that, as of the Latest Practicable Date, none of them or any of their respective associates had interests in any business, other than our business, which competes, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

UNDERTAKING GIVEN BY OUR LARGEST SHAREHOLDER

In order to eliminate any future competition with us, Mr. Wang undertook to us on November 6, 2018 that, so long as he remains as our largest shareholder of the Company, he will not, and will

RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

procure all companies he controls not to engage in or develop any business competing or potentially competing with our main business or key products, including investment in, mergers and acquisitions of any companies, entities or economic organizations engaged in the same or similar core business or primarily manufacturing the same or similar products. In addition, he acknowledged that the Group shall have priority to develop any new business in the future, and he will not, and will procure any companies controlled by him not to develop such new business.

Save as disclosed above, none of our other Directors or their respective associates are interested in any business which is, whether directly or indirectly, in competition with our business.

INDEPENDENCE FROM OUR LARGEST SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Largest Shareholder and his close associates after the Listing.

Management Independence

Our Board will be comprised of two executive Directors, six non-executive Directors and four independent non-executive Directors upon Listing.

On the basis of the following reasons, our Directors consider that our Board is able to perform and manage our business independently from the Largest Shareholder:

- (a) our Board comprises twelve Directors and four of them are independent non-executive Directors, which is in line with the requirements under the Listing Rules. With a majority of our Board members are non-executive Directors, we believe our Board is capable to counter-balance situations involving conflict of interests between our Largest Shareholder and us and to protect the interests of minority Shareholders;
- (b) our Board is supported by an experienced core management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, business management and research and development on a stand-alone basis;
- (c) each Director is aware of his/her fiduciary duties as a Director of our Company, which require, 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;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our 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; and

RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

- (e) connected transactions between our Group and Mr. Wang or his respective associates are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable).

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage our business independently from the Largest Shareholder after Listing.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Largest Shareholder and his respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Largest Shareholder and his respective associates after Listing:

- (a) we are not reliant on trademarks owned by our Largest Shareholder, or by other companies controlled by our Largest Shareholder;
- (b) we are the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (c) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (d) none of our Largest Shareholder or his respective associates have any interests in any business which competes or is likely to compete with the business of our Group.

Financial Independence

We have an independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Largest Shareholder.

Save for the loan arrangement between Mr. Wang and BabyTree Information under the Contractual Arrangements as disclosed in this Prospectus, no loans or guarantees provided by, or granted to, our Largest Shareholder or his respective associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of, and do not place undue reliance on our Largest Shareholder and his close associates after the Listing.

RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

CORPORATE GOVERNANCE

Other than deviation from Code Provision A.2.1 as disclosed in the section headed “Directors and Senior Management—Directors,” our Company will comply with the provisions of the Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Largest Shareholder:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Largest Shareholder or his associates has a material interest, they shall not vote on the resolutions and shall not be counted in the quorum for the voting;
- (b) the Company has established internal control mechanisms to identify connected transactions. Upon Listing, if the Company enters into connected transactions with the Largest Shareholder or his associates, the Company will comply with the applicable Listing Rules;
- (c) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our Independent Non-executive Directors, details of whom are set out in the section headed “Directors and Senior Management” individually and together possess the requisite knowledge and experience. All of our independent non-executive Directors are experienced. They will review whether there is any conflict of interests between the Group and the Largest Shareholder annually and provide impartial and professional advice to protect the interest of our minority Shareholders;
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between the Group and the Largest Shareholder, the Largest Shareholder and/or the Company shall provide the independent non-executive Directors with all necessary information and the Company shall disclose the decisions of the independent non-executive Directors (including why business opportunities referred to it by the Largest Shareholder were not taken up) either in its annual report or by way of announcements; and
- (e) we have appointed Haitong International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Largest Shareholder, and to protect minority Shareholders’ rights after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of 12 Directors, comprising two executive Directors, six non-executive Directors and four independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon re-election and/or re-appointment.

The following table sets out information in respect of the Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
WANG Huainan (王懷南).....	53	Executive Director and chairman of the Board	January 23, 2007	February 9, 2018	Overseeing strategic development, overall operation and management and major decision-making
XU Chong (徐舫).....	42	Executive Director	October 8, 2014	June 11, 2018	Responsible for strategic development, financial operations management and capital operations
CHEN Qiyu (陳啟宇)	46	Non-executive Director	January 22, 2017	June 11, 2018	Participating in formulating the Company's corporate and business strategies
WANG Changying (王長穎).....	45	Non-executive Director	January 22, 2017	June 11, 2018	Participating in formulating the Company's corporate and business strategies
SHAO Yibo (邵亦波).....	45	Non-executive Director	January 22, 2017	June 11, 2018	Participating in formulating the Company's corporate and business strategies
LUO Rong (羅戎).....	37	Non-executive Director	June 6, 2018	June 11, 2018	Participating in formulating the Company's corporate and business strategies
Christian Franz REITERMANN	49	Non-executive Director	June 6, 2018	June 11, 2018	Participating in formulating the Company's corporate and business strategies
JING Jie (靖捷)	44	Non-executive Director	June 11, 2018	June 11, 2018	Participating in formulating the Company's corporate and business strategies
CHEN Guanglei (陳廣壘).....	48	Independent non-executive Director	June 11, 2018	June 11, 2018	Supervising and providing independent judgment to the Board
CHEN Danxia (陳丹霞) .	38	Independent non-executive Director	June 11, 2018	June 11, 2018	Supervising and providing independent judgment to the Board
De-chao Michael YU (俞德超)	54	Independent non-executive Director	June 11, 2018	June 11, 2018	Supervising and providing independent judgment to the Board
ZHANG Hongjiang	57	Independent non-executive Director	June 11, 2018	June 11, 2018	Supervising and providing independent judgment to the Board

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WANG Huainan (王懷南), aged 53, was appointed our Director on February 9, 2018 and was re-designated as an executive Director and chairman of the Board on June 11, 2018. He has been the chief executive officer of our Group since January 2007. Mr. Wang founded our Group in January 2007 and has been the key driver of our business strategies and achievements to date. Mr. Wang is primarily responsible for strategic development, overall operation and management and major decision-making.

Prior to founding our Group, Mr. Wang had many years of experience in the fields of marketing and administrative management. From 1996 to 2001, he served as a brand manager at The Procter & Gamble Company (a company listed on New York Stock Exchange, ticker symbol: PG), where he was primarily responsible for brand building, promotion and marketing. From 2001 to 2005, he served as a senior marketing director at Yahoo! Inc. (a company formerly listed on NASDAQ, ticker symbol: YHOO) and as the chief executive officer at 1pai.com.cn (一拍網), a joint venture established by Yahoo! Inc. and SINA Corp. From 2005 to 2006, he served as the chief marketing officer, Asia at Google LLC.

Mr. Wang was awarded as “Top Ten Marketing Figures in 2015” by Nanfang Metropolis Daily (南方都市報) in December 2015, as “Entrepreneur of the Year” by iheima.com (i黑馬網) in December 2016 and as “Industry Brand Leader (行業品牌領軍人物)” by Global Times (環球時報) in December 2017.

Mr. Wang graduated from Tsinghua University with a bachelor’s degree in English in July 1988. He also obtained a master’s degree in sociology from Columbia University in October 1989 and a master’s degree in business administration from Georgetown University in July 1996.

Mr. XU Chong (徐翀), aged 42, was appointed an executive Director of our Company on June 11, 2018. He joined our group as the chief financial officer in October 2014. Mr. Xu is primarily responsible for strategic development, financial operations management and capital operations.

Mr. Xu has more than 17 years of experience in corporate finance and financial management. He served as a manager at BOC International Holdings Limited from July 2001 to August 2003, the chief financial officer at SinoMedia Holding Limited (a company listed on the Stock Exchange, stock code: 0623) from June 2004 to February 2006 and a vice president of Asia region at Cazenove Capital Management Limited from March 2006 to July 2007, where he was primarily responsible for corporate finance. He re-joined SinoMedia Holding Limited in July 2007 and served as the chief financial officer until May 2010. Mr. Xu served as the chief financial officer and vice president at Huakang Insurance Brokerage Company Limited (華康保險代理有限公司) from March 2011 to July 2011. He worked as a financial advisor and then the chief financial officer at Shanghai Zhaogangwang Information Technology Corporation Limited (上海找鋼網信息科技股份有限公司) from June 2012 to June 2014.

Mr. Xu obtained a bachelor’s degree in laws from Nanjing University in July 1998 and a master’s degree in laws from Renmin University of China in July 2001.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. CHEN Qiyu (陳啟宇), aged 46, was appointed a non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies. He has been a director of Zhongming since January 2017.

Mr. Chen joined Fosun in 1994 and currently serves as an executive director and co-president of Fosun International Limited (復星國際有限公司) (a company listed on the Stock Exchange, stock code: 0656). He has also been an executive director and chairman of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600196, and the Stock Exchange, stock code: 2196), a non-executive director and vice chairman of Sinopharm Group Co., Ltd. (國藥控股股份有限公司) (a company listed on the Stock Exchange, stock code: 1099), a director of Dian Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司) (a company listed on the Growth Enterprise Market Board of the Shenzhen Stock Exchange, stock code: 300244) and a director of Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600429). In addition, Mr. Chen holds directorships in various companies invested by Fosun. Mr. Chen also served as a director of Maxigen Biotech Inc.(和康生物科技股份有限公司) (a company listed on the Taiwan Stock Exchange, stock code: 1783) from December 2015 to November 2017.

Mr. Chen has been a member of the 13th Shanghai Standing Committee of the Chinese People's Political Consultative Conference, the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), a vice president of China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會), the chairman of Shanghai Biopharmaceutical Industry Association (上海市生物醫藥行業協會) and vice council chairman of Shanghai Society of Genetics (上海市遺傳學會). Mr. Chen was a member of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. Chen received a bachelor's degree in genetics from Fudan University in July 1993 and an executive master of business administration degree from China Europe International Business School (中歐國際工商學院) in September 2005.

Mr. WANG Changying (王長穎), aged 45, was appointed a non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies. He has been a director of Zhongming since January 2017.

Mr. Wang has been the president at Shanghai Fosun Venture Capital Co., Ltd. (上海復星創業投資管理有限公司) since January 2010. He has been a vice president of healthcare holdings department since May 2016 and the president of Fosun maternal infant and family group since January 2018, at Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司). Mr. Wang is currently a director of Juewei Food Co., Ltd. (絕味食品股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603517), a director of Shenzhen Megmeet Electrical Co., Ltd. (深圳麥格米特電氣股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002851) and a director of Shenyang Tian An Technology Co., Ltd. (瀋陽天安科技股份有限公司) (a company listed on The National Equities Exchange And Quotations

DIRECTORS AND SENIOR MANAGEMENT

Co., Ltd., stock code: 834661). Mr. Wang was a director of Jiangsu Dongzhu Landscape Co., Ltd. (江蘇東珠景觀股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603359, which is currently known as Dongzhu Ecological Environment Protection Co., Ltd. (東珠生態環保股份有限公司)) from May 2012 to April 2018.

In addition, Mr. Wang currently holds directorships in several companies including Shandong Taihe Water Treatment Technologies Co., Ltd. (山東泰和水處理科技股份有限公司) since October 2012, Wuhan Huakang Century Cleanroom Technology Engineering Co., Ltd. (武漢華康世紀潔淨室技術工程有限公司) since February 2017, and Jiangsu Jingang Culture & Technology Group Co., Ltd. (江蘇金剛文化科技集團股份有限公司) since May 2017.

Mr. Wang received a bachelor's degree in economic information management from China Institute of Finance (中國金融學院) (which merged with University of International Business and Economics (對外經濟貿易大學) in 2000) in July 1994 and a master's degree in finance from Liaoning University in June 1999.

Mr. SHAO Yibo (邵亦波), aged 45, was appointed a non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies. Mr. Shao is a co-founder of our Company and has been a director at Zhongming since January 2017.

Mr. Shao has been a founding partner of Matrix Partners China, a leading technology venture capital firm in the PRC since 2008. From 1999 to 2004, Mr. Shao was the founder and the chief executive officer of *EachNet.com*, an e-commerce company, which was acquired by eBay Inc. (a company currently listed on the NASDAQ, stock symbol: EBAY) in July 2003. Mr. Shao currently serves as a director of LexinFintech Holdings Ltd. (a company listed on NASDAQ, stock symbol: LX).

Mr. Shao received a bachelor's degree, *summa cum laude*, in physics and engineering science from Harvard College of Harvard University in June 1995, and a master of business administration degree from Harvard Business School in June 1999.

Mr. LUO Rong (羅戎), aged 37, was appointed a non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies.

From July 2006 to March 2012, Mr. Luo served as senior manager of financial management at Microsoft Corporation (a company listed on NASDAQ, ticker symbol: MSFT), where he was primarily responsible for financial management. From April 2012 to June 2013, Mr. Luo served as financial senior manager at Lenovo Group Ltd. (a company listed on the Stock Exchange, stock code: 0992 and the OTC Markets, ticker symbol: LNVGY), primarily responsible for financial operation and management. From June 2013 to September 2014, Mr. Luo served as chief financial officer at eLong, Inc. (a company listed on NASDAQ, ticker symbol: LONG). Mr. Luo has served as chief financial officer at TAL Education Group (a company listed on New York Stock Exchange, ticker symbol: TAL) since November 2014.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Luo received his bachelor's degree in information management and systems and double major bachelor's degree in economics from Peking University in September 2004 and his master's degree in management science and engineering from Tsinghua University in July 2006.

On June 18, 2018, a class action lawsuit was filed against TAL Education Group and certain officers of TAL Education Group including Mr. Luo (the “**Class Action**”), and the plaintiff sought to represent a class of persons who allegedly suffered damages as a result of their trading activities related to the American Depositary Shares of TAL Education Group. To the best knowledge of the Company and as confirmed by Mr. Luo, the Class Action was filed against him solely because of his capacity as one of the officers of TAL Education Group. As of the Latest Practicable Date, the Class Action was in progress and Mr. Luo had not been subject to any fine or penalty imposed by any regulatory authority due to this Class Action.

Mr. Christian Franz REITERMANN, aged 49, was appointed our non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies.

Mr. Reitermann joined The Ogilvy Group in Taipei in January 1997 and has been the chief executive officer (China) since August 2014 and the chief executive, Asia and greater China since May 2016. He has also been a global client leader of WPP plc (a company listed on the London Stock Exchange, ticker symbol: WPP, and on NASDAQ, ticker symbol: WPP) since 2017, where he is primarily responsible for management of global client relationships.

Mr. Reitermann received his bachelor's degree in Business Administration from Ludwigshafen University of Applied Sciences in January 27, 1997 in Germany.

Mr. JING Jie (靖捷), aged 44, was appointed our non-executive Director on June 11, 2018, primarily responsible for participating in formulating the Company's corporate and business strategies.

Mr. Jing worked at the marketing department of Procter & Gamble (Guangzhou) Ltd. (廣州寶潔有限公司), which is a member of the Procter & Gamble (a company listed on New York Stock Exchange, ticker symbol: PG), from July 1998 to August 2012, primarily responsible for the brand operation in Greater China. From September 2012 to June 2015, he worked at China Food Products Marketing Co., Ltd. (中糧食品營銷有限公司). Mr. Jing has served as vice president at Alibaba Group Holding Limited (a company listed on New York Stock Exchange, ticker symbol: BABA) since July 2015, where he is primarily responsible for management and operation of Tmall (天貓). In December 2017, he was promoted to become the president of Tmall.

Mr. Jing obtained his bachelor's degree and his master's degree in computer software from Nanjing University in July 1995 and June 1998, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. CHEN Guanglei (陳廣壘), aged 48, was appointed an independent non-executive Director on June 11, 2018, primarily responsible for supervising and providing independent judgment to the Board.

From 1992 to 2001, Mr. Chen worked at Pingdingshan sub-branch and Henan branch of China Construction Bank, where he was primarily responsible for accounting and auditing. From January 2005 to August 2005, Mr. Chen worked at the finance department of Financial Street Holdings Co., Ltd. (金融街控股股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000402) and the head of finance department at Financial Street Huizhou Properties Co., Ltd. (金融街惠州置業有限公司). From April 2008 to May 2011, Mr. Chen worked as the financial controller at Zhongjin Gold Corporation Limited (中金黃金股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600489). Mr. Chen worked as the deputy chief accountant from May 2011 to July 2012 and then as the chief economist from July 2012 to November 2017 at Beijing Financial Street Investment Group Co., Ltd. (北京金融街投資(集團)有限公司). He also served as assistant to the chairman and deputy general manager at Tianrui Group Co., Ltd. (天瑞集團股份有限公司) from November 2017 to March 2018. Mr. Chen was a director at Hengtai Securities Co., Ltd (恒泰證券股份有限公司) (a company listed on the Stock Exchange, stock code: 1476) from September 2012 to November 2017.

Mr. Chen is currently an off-campus graduate advisor at Central University of Finance and Economics (中央財經大學), Chinese Academy of Fiscal Sciences (中國財政科學研究院), Capital University of Economics and Business (首都經貿大學), Beijing Technology and Business University (北京工商大學), Shanghai National Accounting Institute (上海國家會計學院) and Beijing National Accounting Institute (北京國家會計學院). He is also a member of the publication translation review committee of the International Federation of Accountants and a member of the financial committee of Western Returned Scholars Association (歐美同學會).

Mr. Chen graduated from Henan College of Finance and Economics (河南財經學院) (currently known as Henan University of Finance and Economics (河南財經政法大學)) with a bachelor's degree in accounting in December 2000 and from Zhengzhou University (鄭州大學) with a bachelor's degree in finance in July 2002. He received his master's degree in accounting from the Research Institute of Fiscal Science affiliated to MOF (財政部科學研究所) (currently known as Chinese Academy of Fiscal Sciences (中國財政科學研究院)) in July 2005, his doctorate degree in accounting from Central University of Finance and Economics (中央財經大學) in June 2008 and conducted his postdoctoral research in applied economics at the Research Institute of Fiscal Science affiliated to MOF from June 2012 to September 2014.

Mr. Chen received a certificate of “National Leading Accountant” (全國會計領軍人才證書) issued by MOF in November 2015. He has been accredited as a certified tax agent by the Office of Personnel of Henan Province (河南省人事廳) in December 2002 and a certified public accountant by the Chinese Institute of Certified Public Accountants in April 2011.

DIRECTORS AND SENIOR MANAGEMENT

Ms. CHEN Danxia (陳丹霞), aged 38, was appointed as our independent non-executive Director on June 11, 2018, primarily responsible for supervising and providing independent judgment to the Board.

Ms. Chen has been the general manager of cosmetics department (since January 2008) and a director (since January 2016) at Guangzhou Liby Enterprise Group Co, Ltd. (廣州立白企業集團有限公司). She served as the general manager from January 2009 to December 2013 and has been a director (since January 2014) at Shanghai New COGI Cosmetics Co., Ltd. (上海新高姿化妝品有限公司). Ms. Chen has been a director at Kaisheng Investment (China) Ltd. (凱晟投資(中國)有限公司) since December 2016 and the chairwoman of the board at Guangzhou Ousia Australia Co., Ltd. (廣州澳希亞實業有限公司) since April 2006, OUSIA AUSTRALIA PTY. LTD since May 2009 and Guangzhou Cheerwin Daily-use Chemicals Co., Ltd. (廣州超威日化股份有限公司) since January 2018. In addition, she was a director at BKDR Financial Holding Group (寶凱道融投資控股有限公司) from February 2016 to February 2018.

Ms. Chen received her master's degree in marketing and strategic management from the University of Sydney in October 2006.

Mr. De-chao Michael YU (俞德超), aged 54, was appointed as an independent non-executive Director on June 11, 2018, primarily responsible for supervising and providing independent judgment to the Board.

Mr. Yu has been the chairman and president of Innovent Biologics, Inc. (信達生物製藥(蘇州)有限公司) since he founded that company in August 2011. He served as general manager at Chengdu Kanghong Biotech Co., Ltd. (成都康弘生物科技有限公司) from January 2006 to August 2010, prior to which he also worked at Calydon, Inc., Cell Genesys, Inc. and Applied Genetic Technology Corporation. He served and as an independent director at PharmaBlock Sciences (Nanjing), Inc. (南京藥石科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300725) from December 2015 to May 2018. In addition, he is currently a professor at Sichuan University.

Mr. Yu has served in different capacities in various committees and associations in the PRC, including as a member of the Special Committee of Cancer Biotherapy of the China Anti-Cancer Association (中國抗癌協會腫瘤生物治療專業委員會) since 2011, as a deputy director of Drug Research and Development Special Committee of the China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會藥物研發專業委員會) since 2015, as a deputy director of the Committee of the Cancer Immunology and Cancer Biotherapy of the Chinese Society for immunology (中國免疫學會腫瘤免疫與腫瘤生物治療專業委員會) since 2016, as the chairman of the board of the Chinese Antibody Society (華人抗體協會), and as a member of the Special Committee for Precision Medicine of the China Medicinal Biotech Association (中國醫藥生物技術協會精準醫療專業委員會) since 2015. He was also a standing committee member of the Special Committee of Gene Therapy Society of the Chinese Association of Medicinal Biotechnology (中國醫藥生物技術協會基因治療協會專業委員會).

Mr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. He was recognized as “Top Ten Persons in Innovation in China” (創新中國十大年度人物) by Xinhua News Agency and Chinese Association of

DIRECTORS AND SENIOR MANAGEMENT

Productivity Science in 2014, “The E&Y Entrepreneur of the Year in China” in 2015 and “Distinguished Entrepreneur of Jiangsu Province” (江蘇省優秀企業家) by Jiangsu Provincial Government in 2016. Mr. Yu was awarded as “Person of the Year in Innovation for Science and Technology in 2016” (國家2016年度科技創新人物) by China Central Television, “2017 China Person of the Year in Pharmaceutical Economics” (中國醫藥經濟2017年度人物) by Medicine Economic Reporter (醫藥經濟報) and “The Most Influential Person of the Year in Life Science in China in 2017” (2017生命科學領域最具影響力的十大年度人物) by biodiscover.com (生物探索) in 2017. Mr. Yu was awarded First Prize of “The Seventh National Overseas Returnee Contributions Awards” (中國僑界貢獻獎一等獎) by the All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) in 2018.

Mr. Yu obtained his doctorate degree in molecular genetics from Institute of Plant Physiology, Chinese Academy of Sciences (中國科學院上海植物生理研究所) in April 1993 and conducted his postdoctoral research in pharmaceutical chemistry in University of California, San Francisco. Mr. Yu was recognized as a member of the “Thousand Talents Program” (千人計劃) in China by the PRC government in 2010.

Mr. ZHANG Hongjiang, aged 57, was appointed an independent non-executive Director on June 11, 2018, primarily responsible for supervising and providing independent judgment to the Board.

From December 1991 to October 1995, Mr. Zhang worked as a researcher at the Institute of System Science, National University of Singapore. From April 1999 to October 2011, Mr. Zhang served as the chief technology officer at Microsoft Asia R&D Group. From November 2011 to December 2016, Mr. Zhang served as an executive director and chief executive officer at Kingsoft Corporation Limited (a company listed on the Stock Exchange, stock code: 3888). Mr. Zhang has served as a director and the chief executive officer at Kingsoft Cloud Holdings Limited since January 1, 2015 and an independent director at Huami Corporation (a company listed on NASDAQ, ticker symbol: HMI) since February 2018.

Mr. Zhang received his bachelor’s degree in Physics from Zhengzhou University in December 1981 and his doctorate degree in electromagnetics from Technical University of Denmark in October 1991.

Save as disclosed herein, none of our Directors of the Company held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this Prospectus. There is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

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SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company (other than the Executive Director):

Name	Age	Position	Date of joining our Group	Date of appointment to senior management	Roles and responsibilities
WANG Huainan (王懷南)	53	Chief executive officer	January 23, 2007	January 23, 2007	Overseeing strategic development, overall operation and management and major decision-making
XU Chong (徐翀)	42	Chief financial officer	October 8, 2014	October 8, 2014	Strategic development, financial operations management and capital operations
ZHAN Hongyong (詹宏勇)	47	Chief technology officer	February 6, 2017	February 6, 2017	Management of research and development and technological issues
WEI Xiaowei (魏小巍) ..	40	Vice president and head of business	April 15, 2010	December 18, 2017	Monetization strategy and business management
LU Yewei (陸燁瑋)	34	Head of advertising business	August 22, 2013	April 21, 2017	Advertising business operation and management
GUO Ying (郭穎)	38	Head of e-commerce business	July 30, 2012	December 18, 2017	E-commerce business operation and management
TANG Hua (唐樺)	37	Head of product operation	September 5, 2011	February 12, 2018	Product management and development
WANG Dan (王丹)	32	Head of brand and public relations	April 1, 2014	February 12, 2018	Management of brand and public relations

Mr. WANG Huainan (王懷南), aged 53, is also our chief executive officer. See the paragraph headed “Executive Director” for his biography.

Mr. XU Chong (徐翀), aged 42, is also our chief financial officer. See the paragraph headed “Executive Director” for his biography.

Mr. ZHAN Hongyong (詹宏勇), aged 47, has been our chief technology officer since he joined our Group in February 2017. Mr. Zhan is primarily responsible for management of research and development in technology.

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Mr. Zhan joined eLong, Inc. (a company listed on NASDAQ, ticker symbol: LONG) in November 2005 and served as the chief technology officer from January 2011 to October 2014. He served as vice president of Internet center at Cheyipai (Beijing) Automotive Technology Service Co., Ltd. (車易拍(北京)汽車技術服務有限公司) from September 2015 to November 2016.

Mr. Zhan received his bachelor's degree in software from Southwest Normal University (西南師範大學) (currently known as Southwest University (西南大學)) in July 1992.

Mr. WEI Xiaowei (魏小巍), aged 40, joined our Group in April 2010 and took several positions including general sales manager before he was appointed as vice president and head of business of our Group in December 2017, primarily responsible for monetization strategy and business management. Mr. Wei is also an executive director at Meitun Mama, Ningbo Meitun and Wuhan Meitun.

Mr. Wei served as a product promotion manager from November 2006 to April 2010 at Legend Holdings Corporation (a company listed on the Stock Exchange, stock code: 3396). Mr. Wei was awarded as “The most innovative leader of 2015” by China Internet Weekly (中國互聯網週刊) in March 2016.

He obtained his master's degree in e-business management from University of Surrey in the UK in March 2004 and his master's degree in supply chain & logistic management from University of Warwick in the UK in January 2006.

Ms. LU Yewei (陸燁璋), aged 34, was appointed head of advertising business of our Company in July 2017. Ms. Lu worked at Zhongming from October 2008 to July 2010 and re-joined our Company in August 2013, since when she served as the general manager of east China branch, national sales manager and vice president at Zhongming.

Prior to joining our Group, Ms. Lu served as a principal customer sales manager of Baidu (China) Co., Ltd. (百度(中國)有限公司) from September 2006 to August 2008. From September 2010 to July 2013, Ms. Lu served as the business development director at Shanghai Dawen Information Development Co., Ltd. (上海達聞信息發展有限公司), primarily responsible for e-commerce and offline promotions.

Ms. Lu received her bachelor's degree in information management and information system from Shanghai University in July 2006.

Ms. GUO Ying (郭穎), aged 38, joined our Group in July 2012 and served as a director of calling center at Zhongming, a senior director of mobile products at BabyTree Information and the general manager of e-commerce at Meitun Mama. She was appointed head of e-commerce business of our Group in December 2017, primarily responsible for e-commerce operation and management.

Prior to joining our Group, Ms. Guo served as a business development manager at Lenovo (Beijing) Limited (聯想(北京)有限公司) from May 2003 to April 2008. She served as a senior director of service department at Beijing Badi Zhonghe Technology Co., Ltd. (北京八笛眾和科技有限公司) from May 2008 to March 2012, where she was primarily responsible for product design, implementation and management.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Guo graduated from Beijing Institute of Petrochemical Technology (北京石油化工學院) with a bachelor's degree in marketing in July 2003.

Mr. TANG Hua (唐樺), aged 37, joined our Group in September 2011 as an editor and was appointed head of product operation in February 2018. He is primarily responsible for product management and development.

Prior to joining our Group, Mr. Tang served as a community manager at Shanghai Qiubike Network Information Technology Co., Ltd. (上海丘比可網絡信息技術有限公司) from May 2008 to May 2009, where he was mainly responsible for the operation of the website community. From July 2009 to February 2010, Mr. Tang served as a website operation manager at Yang Yao Network Technology (Shanghai) Co., Ltd. (揚耀網絡科技(上海)有限公司).

Mr. Tang received his graduate certificate in financial computer management from China Management Software Institute (中國管理軟件學院) on July 30, 2003.

Ms. WANG Dan (王丹), aged 32, joined our Group in April 2014 and was appointed head of brand and public relations of our Group in February 2018.

Ms. Wang served as a senior manager of public relations at Shanghai Huaqianshu Information Technology Limited (上海花千樹信息科技有限公同) from July 2010 to March 2014.

Ms. Wang graduated from Liaoning University (遼寧大學) with a bachelor's degree in international economics and trade in July 2010.

Joint Company Secretaries

Ms. CHEN Hongyou (陳泓攸), aged 30, joined our Group in December 2014 as a legal manager and was appointed our joint company secretary in June 2018. Prior to joining our Group, Ms. Chen worked as a legal specialist at Scitech Group Co., Ltd. (賽特集團有限公司) from July 2011 to December 2014. Ms. Chen received her bachelor's degree in law from China University of Political Science and Law in July 2011.

Ms. WU Miu Wah (胡妙華), aged 47, was appointed as our joint company secretary in June 2018. Ms. Wu is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Wu has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring. Ms. Wu is currently the company secretary of Yashili International Holdings Ltd, a company listed on the main board of the Stock Exchange (stock code: 1230).

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. CHEN Guanglei, Mr. ZHANG Hongjiang and Mr. SHAO Yibo. Mr. Chen Guanglei has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director holding the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of five members, namely Ms. Chen Danxia, Mr. De-chao Michael Yu, Mr. Chen Guanglei, Mr. Wang and Mr. Xu Chong. Ms. Chen Danxia has been appointed as the chairwoman of the Remuneration Committee. The primary duties of the remuneration committee are to establish, review and provide advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely, Mr. Wang, Mr. De-chao Michael Yu and Mr. Zhang Hongjiang. Mr. Wang has been appointed as the chairman of the Nomination Committee. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors.

DIRECTORS AND SENIOR MANAGEMENT

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

In view of Mr. Wang's experience, personal profile and his roles in our Company as mentioned above and the fact that Mr. Wang has assumed the role of chief executive officer of our Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Company that, upon Listing, Mr. Wang act as the chairman of the Board and continue to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Mr. Wang and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

DIRECTORS' REMUNERATION

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed "Statutory and General Information—C. Further Information about Our Directors—1. Directors" in Appendix IV of this Prospectus.

The aggregate amount of fees, salaries, allowances and retirement benefit scheme contributions we paid to our Directors in respect of the financial years ended December 31, 2015, 2016 and 2017 was RMB3.5 million, RMB53.7 million and RMB5.1 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 8 in the Accountants' Report set out in Appendix I to this Prospectus.

During the Track Record Period, no remuneration was paid to our Directors by our Group as an inducement to join or upon joining our Group. No compensation was paid or payable to our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2018 is expected to be approximately RMB6.0 million.

DIRECTORS AND SENIOR MANAGEMENT

The five highest paid individuals of our Group for the financial years ended December 31, 2015, 2016 and 2017 included two, two and two Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the relevant Directors set out above. For the financial years ended December 31, 2015, 2016 and 2017, the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the remaining three, three and three highest paid individuals who are not Directors of our Group were RMB3.2 million, RMB4.3 million and RMB4.5 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid or payable to such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser upon the Listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will provide advice when consulted by our Company in relation to the followings:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we procure to use the proceeds from the Global Offering in a manner different from that detailed in the Prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in the Prospectus; and
- where the Stock Exchange makes an inquiry to our Company regarding unusual movement in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

CONNECTED TRANSACTIONS

Upon the Listing, the following transactions between our connected persons and us will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

A. CONTINUING CONNECTED TRANSACTION

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

A waiver application from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to BabyTree Information from Zhongming under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Stock Exchange, has been submitted to and granted by the Stock Exchange subject to certain conditions. If any terms of the Contractual Arrangements are altered or if we enter into any new agreements with any connected persons in the future, we must comply with the relevant requirements under Chapter 14A of the Listing Rules and obtain a separate waiver from the Stock Exchange.

Background for the Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements" in this Prospectus, due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of business through Zhongming, being our Consolidated Affiliated Entity, which holds the requisite license, permit and approval required for provision of Internet content services in the PRC. The Contractual Arrangements entered into among BabyTree Information, Zhongming and the Registered Shareholders of Zhongming enable us to (i) receive substantially all of the economic benefits from Zhongming in consideration for the services provided by BabyTree Information to Zhongming under the Exclusive Business Cooperation Agreement; (ii) exercise effective control over Zhongming to conduct the relevant business; and (iii) hold an exclusive option to purchase all or any part of equity interests in Zhongming and/or assets or interests in any of the assets of Zhongming.

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Principal Terms of the Transactions

The Contractual Arrangements comprise the following agreements: Exclusive Option and Equity Entrustment Agreement, Exclusive Business Cooperation Agreement, Share Pledge Agreement, Powers of Attorney, Spousal Undertaking made by the spouse of each of the individual Registered Shareholders and the Loan Agreement. See the section headed “Contractual Arrangements” in this Prospectus for detailed terms of the Contractual Arrangements.

Reasons for the Waiver Application and the View of Our Directors on the Continuing Connected Transactions

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

Application for and Conditions of Waiver

In relation to the Contractual Arrangements, we have applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to BabyTree Information from Zhongming under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Stock Exchange subject to the following conditions:

(a) *No Change without Independent Non-executive Directors’ Approval*

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) *No Change without Independent Shareholders’ Approval*

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the

CONNECTED TRANSACTIONS

independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (c) below) will however continue to be applicable.

(c) *Economic Benefits Flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in and/or assets of the Consolidated Affiliated Entity; (ii) the business structure under which the net profits generated by the Consolidated Affiliated Entity (after deducting the necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to BabyTree Information under the Exclusive Business Cooperation Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entity.

(d) *Renewal and reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entity, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under the section headed "Contractual Arrangements" in this Prospectus. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group's connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

CONNECTED TRANSACTIONS

(e) *Ongoing Reporting and Approvals*

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity 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 Company and the Shareholders as a whole.
- (iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the Consolidated Affiliated Entity will be treated as the Company’s wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entity and its associates will be treated as the Company’s “connected persons”. As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entity) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

The Consolidated Affiliated Entity further undertakes that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entity will provide our Group’s management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors’ on the connected transactions.

CONNECTED TRANSACTIONS

Listing Rules Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions set out above have been entered into in the ordinary and usual course of our business on normal commercial terms or better, which are fair and reasonable and in the interests of our Shareholders as a whole.

C. JOINT SPONSORS' CONFIRMATION

Based on the documentation and data provided by the Company and the Joint Sponsors' participation in the due diligence and discussions with the management of the Company, the Joint Sponsors are of the view that (i) the Contractual Arrangements are fundamental to the Group's legal structure and business operations; (ii) the continuing connected transactions set out above have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

We are engaged in the provision of Internet content services (the “**Relevant Businesses**”) in the PRC, which is considered value-added telecommunication services, a sector where foreign investment is subject to restrictions under the PRC laws and regulations.

Our Consolidated Affiliated Entity is Zhongming, a company established under the laws of the PRC, which holds the requisite license, permit and approval required for the provision of Internet content services through our mobile apps and websites in the PRC, including the ICP license, which are essential to the operation of our business. For further details of the limitations on foreign ownership in PRC companies conducting value-added telecommunications services and the licensing and approval requirement applicable to our business under the PRC laws and regulations, see section headed “Regulatory Overview—Laws and Regulations in Relation to Foreign Investments in the Value-added Telecommunications Industry” in this Prospectus.

Before the commencement of our Earlier Corporate Restructuring in 2015, we mainly operated our business under our Previous VIE Structure through two sets of contractual arrangements: (i) contractual arrangements between BabyTree Information and Mr. Wang, who was the sole shareholder of Zhongming, under which Zhongming was the operating company that held an ICP license; and (ii) contractual arrangements between Meitun Meiwu and Mr. Wang and Mr. WEI Xiaowei, who were shareholders of Meitun Mama, under which Meitun Mama was the operating company that held an EDI license. See “History, Reorganization and Corporate Structure—Our Shareholding and Corporate Structure—Background Relating to the Previous VIE Structure” in this Prospectus.

Since the Relevant Businesses are classified as foreign investment restricted businesses under applicable PRC laws, regulations or rules and there is no clear guidance or interpretation of any applicable qualification requirements, in order to comply with PRC laws and regulations and maintain effective control over our Internet content service operations, our Group entered into the Contractual Arrangements with Zhongming and the Registered Shareholders. Under the Contractual Arrangements, BabyTree Information has acquired effective control over the financial and operational management and results of Zhongming and is entitled to all the economic benefits derived from the operations of Zhongming.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Foreign investment activities in the PRC are mainly governed by the Guidance Catalog of Industries for Foreign Investment (the “**Catalog**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC and the Special Administrative Measures for Access of Foreign Investment (the “**Negative List**”) (Edition 2018) jointly promulgated by NDRC and MOFCOM. The Negative List stipulates industries in which foreign investment is restricted and prohibited. As confirmed by our PRC Legal Advisors, according to the Negative List, the operation of our mobile apps and websites falls into the value-added telecommunications services business and is considered “restricted.”

CONTRACTUAL ARRANGEMENTS

Although the operation of our apps and websites falls into value-added telecommunications services business, which are businesses that foreign investors are “restricted” from holding more than 50% equity interests in a foreign-invested enterprise in accordance with the Negative List, we operate these businesses under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

1. Zhongming is engaged in Internet content services and possesses an ICP license to carry out the Relevant Businesses.
2. On March 15, 2018, our PRC Legal Advisors and legal advisors to the Joint Sponsors, Grandall Law Firm (Shanghai), conducted an interview with the MIIT, which advised Zhongming is not allowed to be held by any foreign investors, given that the business of Zhongming involves the operation of community-based online platforms with a large user base. Our PRC Legal Advisors are of the view that (i) the interview was made with the competent official who has the appropriate authority, and (ii) the MIIT is the competent and ultimate authority to give the relevant confirmation. Therefore, from the perspective of operating our existing business in a manner that is in compliance with applicable PRC laws and regulations, based on the current policy of the relevant PRC government authorities and as advised by our PRC Legal Advisors, it is not feasible for us to hold any equity interest in Zhongming to operate our existing Internet content services.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between BabyTree Information, Zhongming and its shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below), Zhongming will enjoy better economic and technical support from us, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

Qualification Requirements

On December 11, 2001, the State Council promulgated FITE Regulations, which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). Currently none of the applicable PRC laws, regulations or rules provide clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide satisfactory proof of the Qualification Requirements and business development plan. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisors have advised us that, as of the Latest Practicable Date, (i) this guidance memorandum has no legal or regulatory effect under the PRC laws, and (ii) the Qualification Requirements are ultimately subject to substantive examination by the MIIT.

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Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas value-added telecommunications business operations for the purpose of being qualified. We have taken the following measures through BabyTree Hong Kong:

- (i) registering domain names in Hong Kong;
- (ii) operating e-commerce business in Hong Kong, and
- (iii) entering into e-commerce platform agreements and an payment service agreement with overseas companies.

In addition, certain of our Shareholders have significant experience and good track records in operating value-added telecommunications business overseas, such as Alibaba, Fosun, TAL Education Group and Jumei International.

On June 8, 2018, our PRC Legal Advisors and legal advisors to the Joint Sponsors, Grandall Law Firm (Shanghai), conducted an interview with the MIIT, which advised the above-mentioned steps taken by us and the background of our Shareholders are generally regarded as relevant factors to prove that Qualification Requirements are fulfilled. However, we were advised by the MIIT on March 15, 2018 that Zhongming, having taken into account its business nature and the large user base, is not allowed to be held by any foreign investors.

As advised by our PRC Legal Advisors, (i) the interview was made with the competent official who has the appropriate authority, and (ii) the MIIT is the competent and ultimate authority to give the relevant confirmation. In view of the foregoing, our PRC Legal Advisors are of the view that the measures taken by the Group to demonstrate compliance with the Qualification Requirements are reasonable, appropriate and sufficient.

We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Global Offering. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

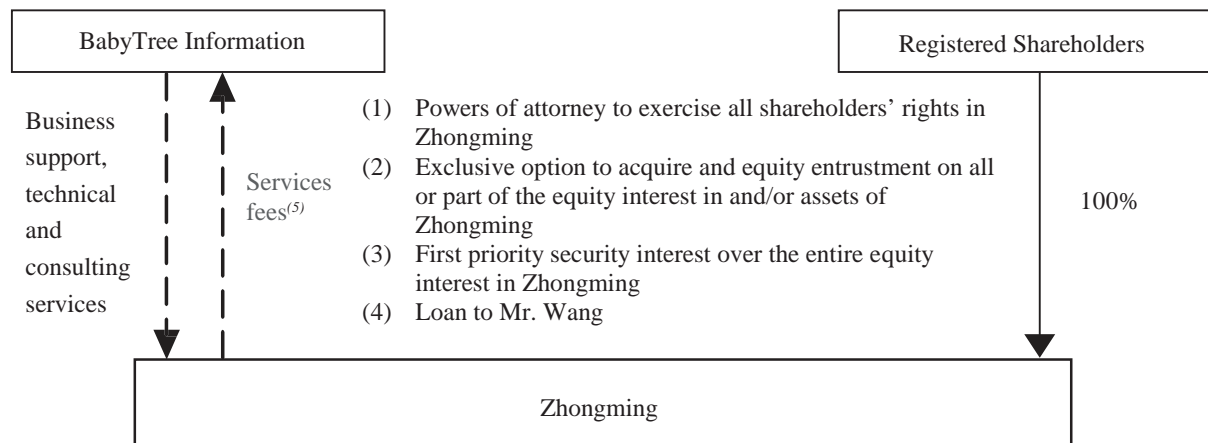
CONTRACTUAL ARRANGEMENTS

Circumstances under Which We will Terminate the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of our apps and websites to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for operation of community-based online platforms with a large user base made by sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

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



Notes:

(1) Please refer to "Contractual Arrangements—Powers of Attorney" for details.

(2) Please refer to "Contractual Arrangements—Exclusive Option and Equity Entrustment Agreement" for details.

(3) Please refer to "Contractual Arrangements—Share Pledge Agreement" for details.

(4) Please refer to "Contractual Arrangements—Loan Agreement" for details.

(5) Please refer to "Contractual Arrangements—Exclusive Business Cooperation Agreement" for details.

"———>" denotes direct legal and beneficial ownership in the equity interest and "———>" denotes contractual relationship.

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Exclusive Option and Equity Entrustment Agreement

Zhongming and the Registered Shareholders entered into an exclusive option and equity entrustment agreement with BabyTree Information on May 23, 2018 (the “**Exclusive Option and Equity Entrustment Agreement**”), pursuant to which (i) BabyTree Information, or any third party designated by BabyTree Information (the “**designee**”), was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their equity interests in Zhongming at a fixed exercise price (the “**Exercise Price**”)¹ and/or from Zhongming all or any part of its assets or interests in any of its assets, for a consideration with reference to the total or relevant portion of the Exercise Price, and (ii) the Registered Shareholders irrevocably and exclusively entrusted their equity interest in Zhongming to BabyTree Information or the designee.

Zhongming, among other things, has covenanted that:

- without the prior written consent of BabyTree Information, it will not change its main business, conduct any transactions that may have material impacts on its assets, business, rights and operations, or initiate reorganization and any kind of listing procedures;
- without the prior written consent of BabyTree Information, it shall not in any manner supplement, change or amend its constitutional documents, increase or reduce its registered capital, or change its capital structure;
- without the prior written consent of BabyTree Information, it shall refrain from any action that may result in its termination, insolvency, liquidation or dissolution, and not engage in mergers, partnerships, joint ventures, alliances with any third party or purchase equities, shares or assets from any third party;
- it shall maintain its corporate existence in accordance with good financial and business standards, tax obligations and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating its business;

Note:

- (1) The Exercise Price for purchase of equity interests in Zhongming held by Mr. Wang, Lingheng Investment, Mr. SHAO Zhenping, Mr. WANG Yawei, Mr. WANG Changying, Beijing Lujin, Ningbo Zhishan, Ningbo Baoshu, Ningbo Honghu and Ningbo Yimengweima will be RMB2,655,144,921.6, RMB6,493,053.0, RMB2,705,151.9, RMB530,840.0, RMB22,084.7, RMB60,135,769.0, nil, nil, nil and nil, respectively. The Exercise Price for purchase of Mr. Wang’s interest equals the consideration he paid for acquisition of equity interests in Zhongming during the Pre-IPO Reorganization, which is to be adjusted upon further acquisitions. The Exercise Price for purchase of Lingheng Investment’s interest equals the consideration it paid for subscription of equity interests in Zhongming. The Exercise Price for purchase of Mr. SHAO Zhenping’s interest equals consideration paid by Tenzing Holdings 2011, Ltd. (an offshore wholly-owned company controlled and managed by a trust set up by Mr. SHAO Yibo, who is son of Mr. SHAO Zhenping) for subscription of Shares in our Company during the Pre-IPO Reorganization, which was based on the registered capital of Zhongming subscribed by Mr. SHAO Zhenping. The Exercise Price for purchase of interests held by each of the other Registered Shareholders equals their respective consideration paid for subscription of Shares in our Company during the Pre-IPO Reorganization: (i) the consideration paid by Mr. WANG Yawei and Mr. WANG Changying through their respective offshore entities was based on the registered capital of Zhongming subscribed by them respectively (ii) the consideration paid by Beijing Lujin through its offshore affiliate was based on its original investments in Zhongming, and (iii) the consideration paid by the rest of the Registered Shareholders was the par value of their respective subscribed Shares.

As of the Latest Practicable Date, Mr. Wang had paid an aggregate of RMB63,393,845.61 to Mr. WANG Yawei, Mr. WANG Changying, Mr. SHAO Zhenping and Beijing Lujin, who determined to remain as Registered Shareholders of Zhongming following the subscriptions of Shares by them or their affiliates, as advanced payment for their respective equity interests in Zhongming. It is agreed that no further consideration will be payable to them when they exit Zhongming in the future.

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- it shall provide BabyTree Information with true and accurate information and documents upon request of BabyTree Information;
- it shall immediately notify BabyTree Information of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or revenue;
- to maintain the ownership of all of its assets, it shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims, subject to the prior written consent of BabyTree Information;
- without the prior written consent of BabyTree Information, it shall not pledge or dispose of its assets or rights in any manner, unless such pledge or dispose is in the ordinary course of business or the value of such assets or rights do not exceed RMB300,000;
- without the prior written consent of BabyTree Information, it shall not incur any borrowings, loans, guarantees or payments from or to any third party, unless such payments are made in the ordinary course of business;
- without the prior consent of BabyTree Information, it shall not enter into any material contracts (the contracts with a value above RMB300,000) out of the ordinary course of business, enter into any contracts, documents or arrangements under abnormal operating conditions, or make material changes to such contracts, documents or arrangements (if any);
- without the prior written consent of BabyTree Information, it shall not amend or change the accounting policies originally adopted and it shall not appoint or replace its auditors;
- without the prior written consent of BabyTree Information, it shall not in any manner distribute dividends, bonus or profits to its shareholders;
- without the prior written consent of BabyTree Information, it shall not dispose of or dilute the interests of its subordinate entities, branches or subsidiaries, directly or indirectly; and
- it shall procure and maintain insurance in respect of its assets and business from an insurance carrier acceptable to the BabyTree Information, at an amount and in the type of coverage typical for companies that operate similar businesses;

The Registered Shareholders, among other things, have further covenanted that:

- without the prior written consent of BabyTree Information, they shall not sell, transfer, dispose or conduct any transactions that have material impacts on its assets, business, rights and operations, merge, associate with, acquire or invest in any entity, or initiate any kind of reorganization;

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- they shall grant BabyTree Information exclusive right to purchase any increased registered capital they subscribed in Zhongming;
- they shall immediately transfer all the dividends, distributions or any residual properties (if applicable) obtained from Zhongming to BabyTree Information;
- without the prior written consent of BabyTree Information, they shall not dispose of any interest in Zhongming or create any pledge on such interest;
- they shall immediately notify BabyTree Information and Zhongming of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to their interests in Zhongming;
- to maintain the ownership of all of their interest in Zhongming, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims, subject to the prior written consent of BabyTree Information;
- any appointment of directors, supervisors, legal representative and senior management of Zhongming shall be subject to the prior written consent of BabyTree Information; and
- they shall refrain from any action that may result in Zhongming's termination, insolvency, liquidation or dissolution.

Pursuant to the Exclusive Option and Equity Entrustment Agreement, the Registered Shareholders shall return any amount of purchase price exceeding the Exercise Price they have received to BabyTree Information. At BabyTree Information's request, the Registered Shareholders and/or Zhongming will promptly and unconditionally transfer their respective equity interest in and/or assets of Zhongming to BabyTree Information (or its designee) after BabyTree Information exercises its purchase right. The Exclusive Option and Equity Entrustment Agreement will remain effective until the purchase right thereunder is exercised.

Exclusive Business Cooperation Agreement

Zhongming and the Registered Shareholders entered into an exclusive business cooperation agreement with BabyTree Information on May 23, 2018 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which Zhongming agreed to engage BabyTree Information as its exclusive provider of management, consultancy, technical support, business support and equipment services, including, among others:

- provision of decision-making, daily operation and strategic planning consultations;
- assistance in negotiation, signing and performance of major contracts;
- market researches and consultations;

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- establishing marketing networks and formulating cooperation maintenance plans for suppliers, customers, and partners;
- management, development, maintenance and upgrade of office application and network systems;
- discovery of financing channels;
- staff and management training;
- software, trademarks, and technology application and licensing;
- public relations management;
- logistics support; and
- other relevant services requested by Zhongming from time to time.

Under these arrangements, the service fees, subject to BabyTree Information's adjustment, shall consist of all of the profit before taxes of Zhongming. BabyTree Information may adjust the service fees at its sole discretion, taking into consideration certain factors, including but not limited to the deduction of operating costs, expenses and other statutory contribution in relation to the respective fiscal year. The service fees shall be paid annually by Zhongming upon receipt of invoice issued by BabyTree Information.

Pursuant to the Exclusive Business Cooperation Agreement, BabyTree Information has the exclusive and proprietary rights to all intellectual properties developed by Zhongming and enjoys all the economic benefits generated from such intellectual properties, which will not be affected by the amendment, rescission or termination of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective until (i) BabyTree Information exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Zhongming and/or the entire assets of Zhongming pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement; or (ii) termination unilaterally made by BabyTree Information upon presentation of written notice 30 days in advance.

Share Pledge Agreement

Zhongming, the Registered Shareholders and BabyTree Information entered into a share pledge agreement on May 23, 2018 (the "**Share Pledge Agreement**"), pursuant to which, the Registered Shareholders pledged all of their respective equity interests in Zhongming to BabyTree Information as collateral security to guarantee performance of their contractual obligations under the Exclusive Option and Equity Entrustment Agreement, the Exclusive Business Cooperation Agreement and the Powers of Attorney (as defined below).

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The pledge in respect of shares of Zhongming takes effect upon completion of registration with the relevant administrative authorities, and shall be recorded on the register of shareholders and capital contribution certificate of the Registered Shareholders. If any of the items filed with the authorities under the Share Pledge Agreement shall be amended or updated, Zhongming shall amend such items within 10 days upon the relevant events occur.

Should an event of default (as provided in the Share Pledge Agreement) occurs, unless it is successfully resolved to BabyTree Information's satisfaction within 10 days upon being notified by BabyTree Information, BabyTree Information by issuing written notification may exercise its right of pledge immediately or any time thereafter pursuant to the Share Pledge Agreement. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when BabyTree Information exercises such right of pledge.

The Share Pledge Agreement will not terminate until (i) all obligations of Zhongming and the Registered Shareholders are satisfied in full; or (ii) BabyTree Information exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Zhongming and/or the entire assets of Zhongming pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement.

The pledges under the Share Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

Powers of Attorney

An irrevocable power of attorney was entered into between each of the Registered Shareholders and BabyTree Information on May 23, 2018 (the "**Powers of Attorney**"), pursuant to which each of the Registered Shareholders appointed BabyTree Information and/or its designated persons as his/its exclusive agent and attorney to act on his/its behalf on all matters concerning Zhongming and to exercise all of his/its rights as shareholder of Zhongming, including, among others:

- to propose, convene and attend shareholders' meetings;
- to exercise shareholders' voting rights;
- to review corporate documents and management accounts;
- to receive dividends from Zhongming;
- to sell, transfer, pledge or dispose of shares held by the Registered Shareholders;
- to file documents with the relevant companies registry;
- to appoint or nominate directors, supervisors and other senior management members of Zhongming;
- to review and approve all reports and plans that are material to the operation of Zhongming;

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- to make decisions on major issues of Zhongming; and
- to exercise any other rights of shareholders pursuant to the articles of associations of Zhongming.

As a result of the Powers of Attorney, the Company, through BabyTree Information, is able to exercise management control over the activities that most significantly impact the economic performance of Zhongming.

The Powers of Attorney will be automatically terminated on the earlier of (i) the date the Registered Shareholder ceases to be the shareholder of Zhongming and (ii) the expiry date of operating period of Zhongming. In addition, the Registered Shareholders and BabyTree Information undertake to terminate the Powers of Attorney once BabyTree Information is allowed to directly hold equity interests in Zhongming and operate the relevant business once permitted under the then PRC laws.

Spousal Undertakings

The spouse of each of Mr. Wang, Mr. WANG Changying, Mr. WANG Yawei and Mr. SHAO Zhenping executed an irrevocable undertaking on May 23, 2018, pursuant to which each of them expressly, unconditionally and irrevocably acknowledged and has undertaken that (i) any equity interests held by their respective spouse as a Registered Shareholder in Zhongming do not fall within the scope of their communal properties; (ii) each of them will not take any measures that are in conflict with the Contractual Arrangements, including any claims on the interests through legal proceedings; and (iii) each of them will take any necessary measures to procure the execution of the Contractual Arrangements.

Loan Agreement

BabyTree Information and Mr. Wang entered into a loan agreement on May 23, 2018 (the “**Loan Agreement**”), pursuant to which BabyTree Information provided Mr. Wang a loan in principal amount of RMB2,718,538,767.2 (the “**Principal Amount**”) to acquire the equity interests in Zhongming held by its then shareholders other than Ningbo Zhishan, Ningbo Baoshu, Ningbo Honghu, Ningbo Yimengweima and himself for the purpose of further stabilizing the corporate structure under the Contractual Arrangements.

As of the Latest Practicable Date, Mr. Wang has fully utilized the amount of the loan, among which an aggregate of RMB63,393,845.6 was paid to Mr. WANG Yawei, Mr. WANG Changying, Mr. SHAO Zhenping and Beijing Lujin as advanced payment for their respective equity interests in Zhongming, and the remaining RMB2,655,144,921.6 was paid to other existing shareholders to purchase their respective equity interests in Zhongming. See “History, Reorganization and Corporate Structure—Pre-IPO Reorganization” in this Prospectus. The loan to Mr. Wang is treated as deemed investment to Zhongming, and was used to purchase its shares from the other shareholders for the purpose of stabilizing the Group’s corporate structure under the Contractual Arrangements, and was eliminated with the total equity of Zhongming when the consolidated financial statements of the Group was prepared. All the equity interests in Zhongming held and to be acquired by Mr. Wang (the “**Acquired Interests**”) will be pledged to BabyTree Information. Mr. Wang will not need to repay the

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loan, unless BabyTree Information (or its assignee) acquires all the Acquired Interests under the condition that such acquisition is allowed under the then PRC laws and regulations. The consideration for the Acquired Interests payable by BabyTree Information equals the Principal Amount and will be offset by the repayment by Mr. Wang under the Loan Agreement.

Dispute Resolution

Each of the Contractual Arrangements stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of Zhongming, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Zhongming; and (ii) the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and other jurisdictions (being the place of domicile of Zhongming and where the principal assets of Zhongming or BabyTree Information are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the shares or property interest of Zhongming.

However, our PRC Legal Advisors have advised that (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of Zhongming under PRC laws; (ii) 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; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that Zhongming or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Zhongming and conduct our business could be materially and adversely affected. Please refer to "Risk Factors—Risks Relating to Contractual Arrangements" in this Prospectus for details.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach,

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BabyTree Information can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the registered shareholders under the Contractual Arrangements as a result of their death, loss of capacity, marriage, divorce, bankruptcy or under other circumstances which would affect their exercise of equity interest in Zhongming, as if the inheritor was a signing party to such Contractual Arrangements.

According to the terms of the Exclusive Option and Equity Entrustment Agreement, each of the Registered Shareholders has undertaken, in the event of death or any other event which causes the inability of the shareholder to perform their day-to-day obligations, bankruptcy, marriage or divorce, to transfer all of the equity interests, including rights and obligations in Zhongming to BabyTree Information or an individual or legal entity designated by BabyTree Information under applicable PRC law.

In addition, the spouse of each of Mr. Wang, Mr. WANG Changying, Mr. WANG Yawei and Mr. SHAO Zhenping executed an irrevocable undertaking on May 23, 2018. See “—Summary of the Material Terms of the Contractual Arrangements—Spousal Undertakings” in this section for details of the undertakings.

Based on the foregoing, our PRC Legal Advisors are of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and BabyTree Information can enforce its rights under the Contractual Arrangements against the successors of such shareholders.

Arrangements to address potential conflicts of interest

Each of the Registered Shareholders has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. See paragraph headed “—Powers of Attorney” in this section for further details.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that the Company, BabyTree Information or other PRC subsidiaries of us, are obligated to share the losses of Zhongming, but if Zhongming suffers any losses or material difficulties of business, BabyTree Information may provide financial support as permitted under PRC laws at its discretion to Zhongming under the terms of the Exclusive Business Cooperation Agreement. Further, Zhongming is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the Company or BabyTree Information is not expressly required to share the losses of Zhongming or provide financial support to Zhongming. Despite the foregoing, given that the Group conducts the Relevant Businesses in the PRC through Zhongming which hold the requisite

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PRC licenses and approvals, and that Zhongming's results of operations and assets and liabilities are consolidated into the Group's results of operations and assets and liabilities under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if Zhongming suffered losses.

Liquidation

Pursuant to the Exclusive Option and Equity Entrustment Agreement, in the event of a mandatory liquidation required by PRC laws, each of the Registered Shareholders shall transfer all the assets and contributions they receive from Zhongming, at his/its respective Exercise Price, to BabyTree Information or another entity designated by BabyTree Information.

Termination

Each of the Contractual Arrangements provides that BabyTree Information and Zhongming shall terminate the Contractual Arrangements once BabyTree Information is allowed to hold equity interests in Zhongming and operate the relevant business under the then PRC laws. In addition, pursuant to the Exclusive Business Cooperation Agreement, BabyTree Information has the unilateral right to terminate these agreements at any time by providing 30 days' advance written notice to Zhongming.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Company's confirmation

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Zhongming under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisors are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisors are also of the opinion that:

- (i) each of BabyTree Information and Zhongming is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with the relevant PRC laws;
- (ii) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto;

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- (iii) none of the agreements under the Contractual Arrangements violates any provisions of respective articles of association of BabyTree Information and Zhongming;
- (iv) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that (a) the exercise of the option by BabyTree Information of their rights under the Exclusive Option and Equity Entrustment Agreements to acquire all or part of the equity interests in Zhongming is subject to the approvals of and/or registrations with the PRC regulatory authorities; (b) any share pledge contemplated under the Share Pledge Agreements is subject to the registration with relevant State Administration for Market Regulation; and (c) the arbitration awards/interim remedies provided under the dispute restitution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement;
- (v) the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Zhongming, injunctive relief and/or winding up of Zhongming, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Zhongming in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China; and
- (vi) the consummation of the contemplated listing of the Company's shares on the Stock Exchange is not a violation of the Rules 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》), which was adopted by six PRC regulatory agencies, including MOFCOM and CSRC, and effective since September 8, 2006 and amended on June 22, 2009.

Notwithstanding the foregoing, we, our PRC Legal Advisors and legal advisors to the Joint Sponsors, Grandall Law Firm (Shanghai), conducted an interview with the MIIT on March 15, 2018. Our PRC Legal Advisors have advised us that (i) the interview was made with the competent official who has the appropriate authority, (ii) the MIIT is the competent government authority for the Company's Internet contents business activities, and (iii) based on such interview, the adoption of the Contractual Arrangements, which are agreements among relevant parties, does not need approval from the MIIT and is not objected by the MIIT. In view of the foregoing, our PRC Legal Advisors are of the view that the use of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations.

Please refer to the section headed "Risk Factors—Risks Relating to Contractual Arrangements—If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interest in Zhongming."

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We are also advised by our PRC Legal Advisors that the transfer of economic benefits from Zhongming to BabyTree Information, and the pledging of the entire equity interest in Zhongming to BabyTree Information under the Contractual Arrangements, would not be deemed a violation of the relevant PRC laws and regulations. Our PRC Legal Advisors, are of the opinion that the Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities, provided that BabyTree Information, Zhongming and Registered Shareholders implement the Contractual Arrangements in accordance with the terms therein, unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis. Please refer to the section headed "Risk Factors—Risks Relating to Contractual Arrangements—Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entity or its shareholders may fail to perform their obligations under our Contractual Arrangements."

We are aware of a Supreme People's Court ruling made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 invalidating certain agreements which were deemed to be for the intention of circumventing foreign investment restrictions in the PRC and holding that the agreements violated the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of 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 PRC operational entities under such contractual structures to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisors are of the view that the relevant terms of our Contractual Arrangements do not fall within any of the aforementioned five circumstances, and in particular, would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law based on the following factors:

- (i) the Contractual Arrangements were entered into between the relevant parties for true and legitimate business purposes;
- (ii) the exclusive management consultancy services provided and the relevant service fees charged are based on actual transactions, and the actual amount of service fees to be paid is to be agreed after good faith negotiations between the relevant parties;
- (iii) the Company has not invested, directly or indirectly, in Zhongming through BabyTree Information and has no intention to violate the restrictions under the Negative List.

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Please refer to the section headed “Business—Legal Proceedings and Compliance” for details of the compliance history of our Group.

Given that the Contractual Arrangements will constitute non-exempt 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.”

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of the Zhongming

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. Although our Company does not directly or indirectly own Zhongming, the Contractual Arrangements as mentioned above enable our Company to exercise control over Zhongming.

Under the Exclusive Business Cooperation Agreement entered into by and between BabyTree Information and Zhongming, it was agreed that, in consideration of the services provided by BabyTree Information, Zhongming will pay service fees to BabyTree Information. The service fee, subject to BabyTree Information’s adjustment, is equal to 100% of the net profit of Zhongming and may also include accumulated earnings of Zhongming from previous financial periods. BabyTree Information may adjust the service fee at its sole discretion and allow Zhongming to retain sufficient working capital to carry out any growth plans. Zhongming shall deliver to BabyTree Information their management accounts and operating statistics periodically. Accordingly, BabyTree Information has the ability, at its sole discretion, to extract substantially all of the economic benefit of Zhongming through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Option Agreement among the parties, BabyTree Information has absolute control over the distribution of dividends or any other amounts to the shareholders of Zhongming as BabyTree Information’s prior written consent is required and BabyTree Information can request for immediate distribution of profits to be made.

Further, under the Powers of Attorney, BabyTree Information assumes all rights as shareholder and exercises control over Zhongming, including the right to propose, convene and attend shareholders’ meetings, the right to sell, transfer, pledge or dispose of shares, the right to exercise shareholders’ voting rights and to appoint the legal representative (chairperson), the director, supervisor, the chief executive officer (general manager) and other senior management members of Zhongming. As a result of these agreements, the Company has obtained control of Zhongming through BabyTree Information and, under the Company’s sole discretion, can receive substantially all of the economic interest returns generated by Zhongming. Accordingly, Zhongming’s results of operations, assets and liabilities, and cash flows are consolidated into the Company’s financial statements.

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In this regard, our Reporting Accountants, KPMG, have issued unqualified opinion on our Group's consolidated financial information for the years ended December 31, 2015, 2016 and 2017, which include the financial results of Zhongming being consolidated into our Group's financial information as if it were our Group's wholly-owned subsidiary, is included in the Accountants' Report in Appendix I of this Prospectus.

Revenue from Zhongming

The revenue of Zhongming but excluding operations held by BabyTree Information and Meitun Mama for the years ended December 31, 2015, 2016, 2017 was RMB170.5 million, RMB274.9 million and RMB333.6 million, respectively.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft FIL

Background

MOFCOM published Draft FIL in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. MOFCOM has solicited comments on this draft in early 2015 and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the entire legal framework regulating foreign investment in China.

The Draft FIL stipulates restrictions of foreign investment in certain industry sectors. The catalog of special administrative measures or “negative list” set out in the Draft FIL classifies the relevant prohibited and restricted industries into the Catalog of Prohibitions and the Catalog of Restrictions, respectively. Foreign investors are not allowed to invest in any sector set out in the Catalog of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions, unless otherwise specified by the State Council. Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, provided that they fulfill certain conditions and apply for permission before making such investment. However, the Draft FIL does not specify the businesses to be included in the Catalog of Restrictions and the Catalog of Prohibitions.

Control by PRC investors

Among other things, the Draft FIL purports to introduce the principle of “Control” (as defined below) in determining whether a company is considered a foreign invested enterprise or FIE. Draft FIL specifically provides that entities established in China but Controlled by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction but cleared by the authority in charge of foreign investment as Controlled by PRC Investors (as defined below), would nonetheless be treated as a PRC domestic entity for investment in the “restricted category” on the “negative list” to be issued, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, “**Control**” is broadly defined in the Draft FIL to cover any of the following categories:

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- holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity, but having the power to directly or indirectly appoint 50% or more of the members of the board of directors or other equivalent decision-making bodies of the subject entity;
 - (a) having the power to secure its nominated persons to acquire 50% or more of the seats on the board of directors or other equivalent decision-making bodies of the subject entity; or
 - (b) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board of directors of the subject entity; or
- having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

“**PRC Investor**” is defined under the Draft FIL as:

- a PRC national;
- a PRC governmental entity; and
- a PRC-incorporated entity that is Controlled by PRC nationals and/or PRC governmental entities.

If an entity is determined to be a FIE, and its investment amount exceeds certain thresholds or its business operation falls within the “negative list” in the Draft FIL, market entry clearance by the authority in charge of foreign investment would be required.

Impact of the Draft FIL on VIE

The VIE structure has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control over 100% equity interests in Zhongming by BabyTree Information, through which we operate the Relevant Businesses in the PRC. Under the Draft FIL, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. For companies with a VIE structure in an industry category that is in the “negative list”, it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

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The Draft FIL has not been enacted and our Contractual Arrangements are expected to be established before the enactment of the Draft FIL. Notwithstanding that the accompanying explanatory notes to the Draft FIL (the “**Explanatory Notes**”) do not provide a clear direction in dealing with VIE structures existing before the Draft FIL becomes effective, which (together with the Draft FIL) were still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling in the “negative list”:

- (i) requiring them to make a filing (申報) to the competent authority that the Control is vested with PRC Investors, after which the VIE structures may be retained;
- (ii) requiring them to apply to the competent authority for certification that their Control is vested with PRC Investors and, upon verification (認定) by the competent authority, the VIE structures may be retained; and
- (iii) requiring them to apply to the competent authority for access permission (准入許可) to continue to use the VIE structure. The competent authority together with the relevant departments will then make a decision after taking into account the Control of the FIE and other factors.

The three possible approaches above are set out in the Explanatory Notes to solicit public opinion on the treatment of existing contractual arrangements, have not been formally adopted and may be subject to revisions and amendments taking into account the results of the public consultation.

Where foreign investors and FIEs circumvent the provisions of the Draft FIL by entrusted holdings, trusts, multi-level re-investments, leasing, contracting, financing arrangements, protocol control, overseas transactions or otherwise, make investments in sectors specified in the Catalog of Prohibitions, make investments in sectors specified in the Catalog of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in Sectors Specified in the Catalog of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft FIL, as the case may be.

If foreign investors make investments in the sectors specified in the Catalog of Prohibitions or make investments in the sectors specified in the Catalog of Restrictions without the access permission, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the people’s government at the place where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

If foreign investors or FIEs are in violation of the provisions of the Draft FIL, including by way of failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality under the people’s

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government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Status of promulgation of the Draft FIL

As at the Latest Practicable Date, there is no definite timeline when the new Foreign Investment Law will come into effect, and more importantly, whether it is to be promulgated in the current draft form, and MOFCOM has neither issued any definite rules or regulations to govern existing contractual arrangements.

Control of Zhongming and our Company by PRC Investors

If the Draft FIL is promulgated in the current draft form, our PRC Legal Advisors are of the view that we are likely to be viewed as being controlled by PRC investors immediately upon Listing on the following bases:

- (1) Based on the Contractual Arrangements, Zhongming is controlled by BabyTree Information (a company established in the PRC) pursuant to the third prong of the definition of “control” under the Draft FIL (i.e. having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial, staffing and technology matters); and
- (2) Immediately upon Listing, our Company will be considered as being controlled by PRC entities because over 50% of our Shares will be controlled by PRC Investors, among which:
 - (a) Wang Family Limited Partnership, holding approximately 22.18% of the total issued Shares upon completion of the Global Offering, is ultimately controlled by Mr. Wang, who is a Chinese citizen;
 - (b) Startree (BVI) Limited, holding approximately 21.11% of the total issued Shares upon completion of the Global Offering, is ultimately controlled by Mr. GUO Guangchang, who is a Chinese citizen;
 - (c) TAL Education Group, holding approximately 8.66% of the total issued Shares upon completion of the Global Offering, is ultimately controlled by Mr. ZHANG Bangxin, who is a Chinese citizen;
 - (d) Jumei International, holding approximately 2.83% of the total issued Shares upon completion of the Global Offering, is ultimately controlled by Mr. CHEN Ou, who is a Chinese citizen; and
 - (e) Yuxin Shengtai Investments Limited, holding approximately 0.95% of the total issued Shares upon completion of the Global Offering, is ultimately controlled by Beijing Lujin, which is a state owned enterprise in the PRC.

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However, it is impracticable to ensure that PRC Investors will continue to control over 50% of our Shares following the Listing, as the current PRC Investors are independent and separate of each other and it is not appropriate for them to undertake not to dispose of their Shares in order to maintain their aggregate shareholding above 50%, or for them to provide undertakings that they will only transfer such Shares to other PRC Investors.

In view of this, we have consulted the PRC Legal Advisors as to the potential measures that could be adopted to mitigate the risks arising from the Draft FIL, which include the following:

- (1) the non-PRC Investors undertaking to waive the right to appoint members of the Board of Directors; and
- (2) ensuring the PRC Investors' right to appoint, directly or indirectly, more than half of the members of the Board of Directors.

We have decided not to adopt the measures suggested by the PRC Legal Advisers, as we are of the view that the adoption of such measures is impracticable, given that (1) it is inappropriate to require non-PRC Investors (including our public shareholders) to waive the right to appoint members of our Board; (2) it is also impracticable to require the PRC Investors (who are independent and separate of each other) to maintain a shareholding above 50% following our Listing in order to ensure that the PRC Investors' have the right to appoint, directly or indirectly, more than half of the members of the Board of Directors; and (3) even if adopted, such measures may not effectively mitigate relevant risks as there are uncertainties as to the definition of control that may be adopted in the Draft FIL if and as finally enacted.

Notwithstanding the above, there may be uncertainties that our current corporate structure to maintain control over and receive the economic benefit from Zhongming and our current shareholding structure may not be sufficient in ensuring compliance with the new Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). If, after the Listing, we fail to comply with the finalized and enacted Foreign Investment Law, we may be required to dispose of our business under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the Foreign Investment Law. In the worst case scenario, if we are not able to maintain a sustainable business after the disposal or adjustment, we may be delisted from the Stock Exchange.

Potential impact to our Company if the Contractual Arrangements are not treated as domestic investment

If the new foreign investment law as finally promulgated and the “catalog of special administrative measures” as finally issued mandate further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the foreign investment law then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the worst case scenario, we will not be able to operate our business through the Contractual Arrangements and will lose our rights to receive the

CONTRACTUAL ARRANGEMENTS

economic benefits from our Consolidated Affiliated Entity. In such case, the Stock Exchange may also consider our Company to be no longer suitable for listing on the Stock Exchange and our Shares. See the section headed “Risk Factors—Risks Relating to Contractual Arrangements” in this prospectus for details.

Nevertheless, considering that a number of existing entities engaged in the apps industries, some of which have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if the Draft FIL is promulgated, that the relevant authorities will apply it retrospectively to require relevant enterprises to remove or otherwise unwind their contractual arrangements.

However, there are uncertainties as to the definition of control that may be adopted in the Draft FIL as finally enacted, and the relevant government authorities will have a broad discretion in interpreting the law. See section headed “Risk Factors—Risks Relating to Contractual Arrangements” for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the Foreign Investment Law, if and when it comes into force.

Decision on Amending Four Inbound Investment Laws

On September 3, 2016, the Standing Committee of the National People’s Congress of the PRC (全國人民代表大會常務委員會) published the Decision of the Standing Committee of the National People’s Congress on Revising Four Laws Including the “Law of the People’s Republic of China on Wholly Foreign-Owned Enterprises” (《全國人大常委會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) which came into effect on October 1, 2016 and seeks to revise the current foreign investment legal regime.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

1. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
2. our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
4. our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of BabyTree Information and Zhongming to deal with specific issues or matters arising from the Contractual Arrangements.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Capitalization Issue and the Global Offering, have interests or short positions in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding (assuming the Over-allotment Option is not exercised)	Approximate percentage of shareholding (assuming the Over-allotment Option is fully exercised)
Mr. Wang	Interest of a party to an agreement ⁽¹⁾	127,612,683	7.65%	7.48%
	Interest in controlled corporation	370,096,250	22.18%	21.69%
Wang Family Limited Partnership ⁽²⁾ ..	beneficial owner	370,096,250	22.18%	21.69%
Startree (BVI) Limited ⁽³⁾	beneficial owner	352,268,189	21.11%	20.64%
TAL Education Group ⁽⁴⁾	beneficial owner	144,466,006	8.66%	8.47%
Taobao China ⁽⁵⁾	beneficial owner	165,212,457	9.90%	9.68%

Notes:

- (1) Pursuant to the voting agreements dated September 10, 2018 entered into by each of Tenzing Holdings 2011, Ltd., Jumei International and Bin Jiang (Hong Kong) Limited with Mr. Wang, respectively, Mr. Wang as an attorney has the right to vote over all the Shares held by each of them. See “History, Reorganization and Corporate Structure—Voting Agreements” for details.
- (2) Wang Family Limited Partnership was set up by Mr. Wang and his wife. Each of Golden Leaf Cayman Holdings Limited (general partner of Wang Family Limited Partnership), Golden Leaf Holdings Limited (sole shareholder of Golden Leaf Cayman Holdings Limited), Allen Wang Grantor Retained Annuity Trust (a limited partner of Wang Family Limited Partnership as to 39.99% as at the Latest Practicable Date) and Mr. Wang (sole shareholder of Golden Leaf Holdings Limited and founder of Allen Wang Grantor Retained Annuity Trust) is deemed to be interested in the Shares held by Wang Family Limited Partnership under the SFO. Ms. TANG Yu is spouse of Mr. Wang, and therefore is deemed to be interested in the Shares held by Mr. Wang under the SFO.
- (3) Each of Fosun Health Holdings Limited (as the sole shareholder of Startree (BVI) Limited) and Fosun International Limited (as the sole shareholder of Fosun Health Holdings Limited, a company listed on the main board of the Stock Exchange: HK.0656), Fosun Holdings Limited (controlling shareholder of Fosun International Limited as to 72.01% as at the Latest Practicable Date) and Fosun International Holdings Ltd. (beneficial owner of all the issued shares in Fosun Holdings Limited) and Mr. GUO Guangchang (郭廣昌) (controlling shareholder of Fosun International Holdings Ltd. as to 64.45% as at the Latest Practicable Date) is deemed to be interested in the Shares held by Startree (BVI) Limited under the SFO.
- (4) TAL Education Group is a company listed on the New York Stock Exchange (ticker symbol: TAL). Each of Bright Unison Limited (largest shareholder of TAL Education Group as to 31.0% with in aggregate voting power as to 71.2% as at the Latest Practicable Date) and Mr. ZHANG Bangxin (張邦鑫) (sole shareholder of Bright Unison Limited) is deemed to be interested in the Shares held by TAL Education Group under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (5) Each of Taobao Holding Limited (the sole shareholder of Taobao China) and Alibaba Group Holding Limited (a company listed on the New York Stock Exchange, ticker symbol: BABA, the sole shareholder of Taobao Holding Limited) is deemed to be interested in the Shares held by Taobao China under the SFO.

The number of Shares to be held by Taobao China includes the maximum number of Shares that can be subscribed by Taobao China as a placee in the Global Offering, being 24,781,500 Shares, by exercising the anti-dilution option granted to Taobao China pursuant to the pre-existing contractual arrangement between Taobao China and the Company.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option):

	Nominal Value
	<i>(US\$)</i>
Authorized Share Capital:	
9,600,000,000 Shares of US\$0.0001 each	960,000.00
Shares in issue as at the date of this Prospectus:	
74,657,611 Shares of US\$0.0001 each	7,465.76
Shares to be issued pursuant to the Capitalization Issue:	
1,343,836,998 Shares of US\$0.0001 each	134,383.70
Shares to be issued pursuant to the Global Offering:	
250,323,000 Shares of US\$0.0001 each	25,032.30
Shares in issue immediately following the Capitalization Issue and the Global Offering:	
1,668,817,609 Shares of US\$0.0001 each	<u>166,881.76</u>

ASSUMPTIONS

The above table assumes that the Capitalization Issue and the Global Offering becomes unconditional and Shares are issued pursuant to the Capitalization Issue and the Global Offering. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this Prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken or agreed to be taken. In addition, our Company may subject to the provisions of the Cayman Islands Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Law—2. Articles of Association—2.5 Alteration of Capital” in Appendix III to this Prospectus for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering; and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed “—General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed “Statutory and General Information—A. Further Information about Our Group—4. Resolutions in Writing of Our Shareholders Passed on November 1, 2018” in Appendix IV to this Prospectus for further details of this general mandate to allot, issue and deal with Shares.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—A. Further Information about Our Group—7. Restriction on Share Repurchase” in Appendix IV to this Prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed “Statutory and General Information—A. Further Information about Our Group—7. Restriction on Share Repurchase” in Appendix IV to this Prospectus for further details of the repurchase mandate.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis may contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analyses in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties many of which we cannot control or foresee. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" and "Business" in this Prospectus.

For purposes of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 are to our financial years ended December 31 of such years, respectively, and references to the first half of 2017 and the first half of 2018 are to the six-month periods ended June 30 of such years, respectively. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the largest and most active M&C-, focused community platforms in China by MAU, according to the Frost & Sullivan Report, dedicated to connecting and serving young families. Across our platforms, we had on average 139.0 million total MAUs in 2017. Young families, defined as families between two years before the birth of a child and six years after (referred to as "ages -2 to 6" for simplicity in this Prospectus), in China represented an addressable market of RMB11.0 trillion in 2017, according to the Frost & Sullivan Report.

Over a journey of 11 years, we have built the most trusted brand among M&C online platforms in China, according to the Frost & Sullivan Report. Our brand is rooted in our reputation among users in our community. Our reputation spreads from old users to new ones by word of mouth, which helps us solidify our leading market position. This mode of referral and recommendation from one cohort of new mothers to the next in our community-based business model also translates into less need to incur significant marketing expenses solely to attract new users. We take pride in having independently developed and maintained a high-quality user base at relatively low cost. For example, we incurred RMB30.0 million in marketing expenses in the year ended December 31, 2017, mostly for general brand promotion and business development and only to a small extent solely for new user acquisition.

We have developed effective and efficient models of monetization on our scalable platforms. Our data-driven advertising and e-commerce businesses were major sources of revenue and demonstrated robust growth during the Track Record Period. We have also successfully launched our "consumer to manufacturer," or C2M, and premium content businesses as additional sources of revenue. We have

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created a growing ecosystem in which we enable our business partners and our users to reach each other, for not only M&C products and services but other types of family consumption as well. In the six months ended June 30, 2018, our platforms connected 152 advertising clients, and 91 C2M manufacturing partners. As of June 30, 2018, we had 2,049 third-party e-commerce vendors and 641 contracted experts for our premium content programs.

BASIS OF PREPARATION AND PRESENTATION

All companies now constituting the Group have adopted December 31 as their financial year end date. Our historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out below.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the historical financial information, we have adopted all applicable new and revised IFRSs that are effective for the accounting period beginning on January 1, 2018, including IFRS 15 *Revenue from contracts with customers*, throughout the Track Record Period except for IFRS 9 *Financial Instruments*, which has been adopted since January 1, 2018. We have applied IFRS 9 retrospectively to items that existed as of January 1, 2018 in accordance with the transition requirements. We have recognized the cumulative effect of initial application as an adjustment to the opening equity as of January 1, 2018. Therefore, the financial information for the years ended or as of December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 continues to be reported under IAS 39. The impact of changes in accounting policies is set out in Note 2(b) to the Accountants’ Report. We have not adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2018, except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9. Other revised and new accounting standards and interpretations issued but neither effective for the accounting period beginning on January 1, 2018 nor adopted by us are set out in Note 33 to the Accountants’ Report.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Factors

Our business and operating results are affected by general factors affecting the broader Internet sector and the young family market in China, which include:

- China’s overall economic growth and level of *per capita* disposable income;
- Demographic trends in China, including in particular the fertility rates;
- growth of mobile Internet usage and penetration rate, expressed as the number of Internet users over the size of the Chinese population;
- governmental policies and initiatives affecting the young family market;

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- the growth of young families' needs for consumption and demand for quality; and
- market competition.

Unfavorable changes in any of these general industry conditions could negatively affect demand for our services and negatively and materially affect our results of operations.

Company Specific Factors

While our business is influenced by general factors affecting our industry, our operating results are more directly affected by company specific factors, including the following major factors:

Expansion of user base, extension of users' life cycle, strengthening of user engagement and our ability to convert users to paying users

The size and engagement of our online user base are crucial to our business. We believe our ability to expand our user base, extend users' life cycle, strengthen user engagement and increase customer satisfaction is crucial to our sustainable growth. To this end, we aim to provide superior customer experience, focusing on customization and product innovation, to build and maintain a loyal customer base with a longer life cycle. Strong social features make our community more interactive and enhance user base, user activity and user engagement. A large and vibrant user base attracts more experienced users to share their parenting experience and generates high quality UGC. A growing library of PGC also attracts user visits and increases user engagement. Further, our results of operations depend in part on our ability to convert users to paying users. We offer a wide and growing selection of high-quality products and services and recommend these products and services to target users based on our big data analysis. Our ability to increase the conversion rate without negatively affecting user experience will to a large extent affect our prospects.

Our ability to enhance our brand and attract advertising customers

During the Track Record Period, our advertising business generated a substantial portion of our revenue, representing 83.7%, 52.6%, 51.0%, 47.0% and 73.2% of our total revenue in 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively. Our ability to maintain our relationship with existing advertising customers and attract new advertising customers, engaged in the M&C and other industries, depends, to a large extent, on our ability to enhance our brand recognition and continue to generate desirable levels of user traffic. A trusted brand enables us to maintain a large and high-quality user base, makes the commercial messages on our platforms more likely to be viewed favorably by users and leads to higher click-through rates for our advertising customers. As a result, our major customers are willing to allocate more "spend" to us. On the other hand, our ability to provide diversified forms of ads, increase advertising spaces on our platforms, improve the utilization rate of such spaces and effectively deliver solution-oriented advertising campaigns for clients will also affect our revenue from advertising.

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Our ability to increase orders from e-commerce customers and average price per order and our ability to implement new priorities in our e-commerce business

Growth in the number of orders placed by our e-commerce customers was a key driver of the growth of our revenue from e-commerce from 2015 to 2017. Our number of orders increased steadily during this period. This increase was primarily driven by our success in attracting new customer accounts, a higher conversion rate as well as by our success in attracting repeat orders from existing customer accounts.

Our results of operations were also affected by our ability to increase average price per order. We adopted various marketing strategies to increase spending of our customers, such as recommending attractive product bundling options by analyzing purchasing behavior and shopping preferences of our existing customers, which improves the shopping experience of our customers and boosts our average price per order.

In addition, our results of operations from the e-commerce segment have been and will continue to be affected by the relative proportion of our direct sales and marketplace sales. As we commence collaboration with Alibaba, we expect to scale down our direct sales operations.

In 2018, we conceived and gradually implemented new priorities in our monetization efforts. Our goal is to focus on our core advantage in data and data analytical capabilities, by further expanding our advertising business and achieving even greater economies of scale, continuing to grow the more profitable new monetization models such as C2M and content monetization, and streamlining our general e-commerce business to reduce back-end operational cost and enhance efficiency.

Our ability to control costs and expenses effectively

Our results of operations and our profitability are also affected by our costs and expenses. Our ability to compete effectively will largely depend on our ability to control costs and expenses as we increase the scale of our business. We expect to control our costs and expenses by obtaining more favorable terms from suppliers and business partners and improve our operational efficiency. As we commence collaboration with Alibaba, we expect that cost of revenue in our e-commerce business will decrease.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial information in conformity with IFRS requires us to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that we believe are reasonable under the circumstances. These estimates and associated assumptions are our basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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We review the estimates and underlying assumptions on an ongoing basis. We recognize a revision to accounting estimates in the period in which the estimate is revised if the revision affects that period only, or in the period of the revision and future periods if the revision affects both current and future periods. The judgments made by us in the application of IFRS that have significant effect on our financial information and major sources of estimation and uncertainty are discussed in Note 3(a) to the Accountants' Report included in Appendix I to this Prospectus. There has not been any material deviation between our estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments which are important for understanding our financial condition and results of operations are set forth in detail in Notes 2 and 3 to the Accountants' Report included in Appendix I to this Prospectus.

Revenue Recognition

We measure revenue based on the consideration specified in a contract with a customer excluding amounts collected on behalf of third parties. We recognize revenue when we transfer control over a product or service to a customer.

Advertising

We offer different formats of ads such as banners, rectangles, picture-in-picture, text links, images, topics and so on throughout our apps and websites. We primarily generate advertising revenue from display-based ads and performance-based ads.

We provide display-based advertising services for subscribed impressions. We recognize revenue on a *pro rata* basis by the number of times an ad has been displayed.

We provide performance-based advertising services based on performance criteria, which include the number of clicks on links directed to an advertiser's website or the number of purchases. We recognize revenue when specified performance criteria are met.

We estimate sales rebates according to our best estimation based on historical experience. Sales rebates are deducted from revenue. Value-added tax is excluded from revenue.

E-commerce

We conduct e-commerce operations in two models: direct sales and marketplace.

Under the direct sales model, we purchase products from suppliers and sell them to customers as principal. Under this model, we have control over the sales process. We are responsible for sourcing and pricing products, taking inventory, arranging for delivery, providing customer services and

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responding to return requests directly. We recognize revenue from direct sales when a customer accepts the goods and gets the control over the goods. We determine revenue based on the gross amount of sales excluding value-added tax less any trade discounts or sales returns. We estimate sales returns based on our best estimation according to historical experience.

Under the marketplace model, third-party vendors offer merchandise to customers on our e-commerce platform, and we as the owner and operator of the platform charge commissions on the sales. We provide display, transaction and billing services for all orders in their online marketplace. We recognize revenue from marketplace sales when a customer accepts the goods.

Content monetization

We provide premium content relating primarily to health topics and charge a fee to customers for access to the premium content. We cooperate with agents and medical institutions who have connections with groups of qualified experts or individual qualified experts to provide knowledge sharing or online consultation on our platform. We also produce videos and online lectures and provide display and billing services while taking limited responsibilities for the content. We recognize revenue once the service is provided, *e.g.*, at the completion of online lectures or end of an online consultation. We act either as principal or agent in the provision of premium content. We act as principal when we are primarily responsible for executing the contract and have the power to control the process of content generation and the discretion of pricing. When we act as principal, revenue is determined based on the gross amount of sales excluding value-added tax or other sales taxes, less any trade discounts or sales return. When we act as agent, revenue is determined based on the net amount of sales excluding value-added tax or other sales taxes, less payments to agents and experts.

Share-based Payments

We recognize the fair value of share options granted to employees as an employee cost with a corresponding increase in a capital reserve within equity. We measure the fair value at the grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, we review the number of share options that are expected to vest. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss of the year for review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions related to the market price of the company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

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Convertible Loans

Convertible loans issued by us can be converted into ordinary shares of our subsidiaries upon occurrence of an initial public offering or as agreed by a majority of the holders as detailed in Note 26 to the Accountants' Report included in Appendix I to this Prospectus. We designated the convertible loans as financial liabilities at fair value through profit or loss. These financial liabilities are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss as incurred. The convertible loans are subsequently remeasured in accordance with Note 2(f) to the Accountants' Report included in Appendix I to this Prospectus.

Financial Instruments with Preferred Rights

Financial instruments with preferred rights issued by us are redeemable upon occurrence of certain future events and at the option of the holders. Financial instruments with preferred rights are classified as liabilities and we designated them as financial liabilities at fair value through profit or loss. These financial liabilities are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss as incurred.

Deferred Tax Assets

We recognize deferred tax assets for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. In assessing whether such unused tax losses can be utilized in the future, we need to make judgments and estimates on the ability of each of our subsidiaries to generate taxable income in the future years.

Inventory Provision

We recognize inventory provision when the net realizable value of inventory is less than the book value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. We also take into account the expiry date as a factor to estimate the net realizable value for certain categories of inventories. We do not prepare or consider aging information when estimating the net realizable value.

New and Amended Standards Adopted by the Group

IFRS 15

IFRS 15 "Revenue from Contracts with Customers" replaces the prior revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and has been adopted throughout the Track Record Period. We have assessed the effects of adopting IFRS 15 on our financial statements and we considered that the adoption did not have a significant impact on our financial position and results of operations.

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IFRS 9

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. We have applied IFRS 9 retrospectively to items that existed as of January 1, 2018 in accordance with the transition requirements.

We have assessed the effects of adopting IFRS 9 on our financial statements and identified the following areas that have been affected:

Classification of financial assets and financial liabilities

IFRS 9 categorizes financial assets into three principal classifications: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

We have assessed the business models and contractual terms of cash flows applying to the financial assets held by us as of January 1, 2018 and have classified our financial instruments into the appropriate IFRS 9 categories. We assessed no material impact on the financial position as set out in Note 2(b) to the Accountants' Report in Appendix I.

Credit loss

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the "incurred loss" accounting model in IAS 39.

We applied the new ECL model to financial assets measured at amortized cost (including cash and cash equivalents, other current assets, trade receivables and prepayments and other receivables).

We assessed no material difference between the closing loss allowance determined in accordance with IAS 39 as of December 31, 2017 and the opening loss allowance determined in accordance with IFRS 9 as of January 1, 2018.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table presents our consolidated statements of profit and loss in absolute amounts and as percentages of revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
<i>(RMB in thousands, except percentages)</i>										
Revenue	200,003	100.0%	509,732	100.0%	729,624	100.0%	361,770	100.0%	407,523	100.0%
Cost of revenue	(90,791)	(45.4%)	(239,282)	(46.9%)	(268,526)	(36.8%)	(143,142)	(39.6%)	(94,578)	(23.2%)
Gross profit	109,212	54.6%	270,450	53.1%	461,098	63.2%	218,628	60.4%	312,945	76.8%
Other revenue	2,517	1.3%	16,656	3.3%	54,331	7.4%	42,339	11.7%	8,292	2.0%
Other net income/(loss)	371	0.2%	5,470	1.1%	(10,742)	(1.5%)	(1,183)	(0.3%)	(5,455)	(1.3%)
Selling and marketing expenses	(193,353)	(96.7%)	(139,884)	(27.4%)	(145,745)	(20.0%)	(69,263)	(19.1%)	(84,015)	(20.6%)
General and administration expenses	(49,709)	(24.9%)	(122,422)	(24.0%)	(108,013)	(14.8%)	(39,439)	(10.9%)	(66,038)	(16.2%)
Research and development expenses	(56,952)	(28.5%)	(72,811)	(14.3%)	(78,481)	(10.8%)	(36,690)	(10.1%)	(53,018)	(13.0%)
(Loss)/profit from operations	(187,914)	(94.0%)	(42,541)	(8.3%)	172,448	23.6%	114,392	31.6%	112,711	27.7%
Net finance income	853	0.4%	4,081	0.8%	6,787	0.9%	6,295	1.7%	2,444	0.6%
Fair value change of financial liabilities at fair value through profit or loss	(112,516)	(56.3%)	(927,335)	(181.9%)	(1,049,907)	(143.9%)	(477,148)	(131.9%)	(2,297,296)	(563.7%)
Share of losses of associates ..	—	0.0%	(949)	(0.2%)	(2,426)	(0.3%)	(1,344)	(0.4%)	(762)	(0.2%)
Loss before income tax	(299,577)	(149.8%)	(966,744)	(189.7%)	(873,098)	(119.7%)	(357,805)	(98.9%)	(2,182,903)	(535.7%)
Income tax credit/(expense) ..	13,157	6.6%	32,205	6.3%	(38,040)	(5.2%)	(30,184)	(8.3%)	7,902	1.9%
Loss for the year/period	(286,420)	(143.2%)	(934,539)	(183.3%)	(911,138)	(124.9%)	(387,989)	(107.2%)	(2,175,001)	(533.7%)
Non-IFRS measure										
Adjusted (loss)/profit for the year/period⁽¹⁾	(172,212)	(86.1%)	44,362	8.7%	138,769	19.0%	89,159	24.6%	122,295	30.0%

Note:

- (1) We define “adjusted (loss)/profit for the year/period” as loss or profit for the year/period, adding back (i) fair value change of financial liabilities at fair value through profit or loss and (ii) equity-settled share-based payment expense. Adjusted (loss)/profit for the year/period is not a measure required by or presented in accordance with IFRS. In 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, the fair value change of financial liabilities at fair value through profit or loss was RMB112.5 million, RMB927.3 million, RMB1,049.9 million, RMB477.1 million and RMB2,297.3 million, respectively. The use of adjusted (loss)/profit for the year/period has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See “—Non-IFRS Measure.”

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SELECTED STATEMENTS OF PROFIT OR LOSS ITEMS

Revenue

During the Track Record Period, we generated revenue primarily through advertising and e-commerce. We also generated a small amount of revenue from content monetization. The following table sets forth our revenue by segment for the periods presented:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
(RMB in thousands, except percentages)										
Advertising	167,339	83.7%	267,866	52.6%	372,385	51.0%	170,097	47.0%	298,145	73.2%
E-commerce	32,664	16.3%	240,179	47.1%	332,583	45.6%	183,783	50.8%	90,567	22.2%
Content monetization	—	—	1,687	0.3%	24,656	3.4%	7,890	2.2%	18,811	4.6%
Total	200,003	100.0%	509,732	100.0%	729,624	100.0%	361,770	100.0%	407,523	100.0%

Advertising

We generate a substantial portion of our revenue during the Track Record Period from advertising service. We offer advertising opportunities throughout our multi-platform ecosystem. We maintain long-term business relationships with our key account clients, who generated a large portion of our revenue from advertising service during the Track Record Period. We sell display-based (CPM) and performance-based (CPC) ads. During the Track Record Period, advertising service on a CPM basis was a major source of revenue, and we commenced advertising service on a CPC basis in September 2017. In 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, revenue generated from advertising service amounted to RMB167.3 million, RMB267.9 million, RMB372.4 million, RMB170.1 million and RMB298.1 million, respectively, representing 83.7%, 52.6%, 51.0%, 47.0% and 73.2%, respectively, of our total revenue.

The following table sets forth the breakdown of our revenue from advertising business by fee model for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
<i>(RMB in thousands)</i>					
CPM	167,339	267,866	367,682	170,097	281,614
CPC	—	—	4,703	—	16,531
Total	<u>167,339</u>	<u>267,866</u>	<u>372,385</u>	<u>170,097</u>	<u>298,145</u>

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E-commerce

We conduct our e-commerce operations on the *Meitun Mama* platform, primarily via the e-commerce functionalities deeply embedded on our flagship *Babytree Parenting* platform. We conduct our e-commerce business under two models: direct sales and marketplace. Under the direct sales model, we acquire products from suppliers and sell them to customers as principal, and recognize the sales income as our revenue. Under the marketplace model, third-party vendors offer merchandise to customers on our e-commerce platform, and we as the owner and operator of the platform charge commissions on their sales as our revenue. In 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, revenue generated from e-commerce amounted to RMB32.7 million, RMB240.2 million, RMB332.6 million, RMB183.8 million and RMB90.6 million, respectively, representing 16.3%, 47.1%, 45.6%, 50.8% and 22.2%, respectively, of our total revenue. The following table sets forth the breakdown of our revenue from the e-commerce business by operational model for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(RMB in thousands, except percentages)									
Direct sales	32,664	100.0%	149,382	62.2%	174,672	52.5%	102,973	56.0%	47,519	52.5%
Marketplace.....	—	—	90,797	37.8%	157,911	47.5%	80,810	44.0%	43,048	47.5%
Total	32,664	100.0%	240,179	100.0%	332,583	100.0%	183,783	100.0%	90,567	100.0%

Our e-commerce revenue declined in both marketplace and direct sales in the six months ended June 30, 2018 as compared with the same period in 2017 as we applied new priorities in our monetization efforts, including e-commerce. See “Financial Information—Period-to-Period Comparison of Results of Operations—The First Half of 2018 Compared to the First Half of 2017—Revenue.”

As we commence collaboration with Alibaba, we expect that we will scale down direct sales operations. Within our e-commerce business segment, marketplace will be our primary source of revenue. See “Business—Monetization—Alibaba Collaboration” and “Risk Factors—Risks Relating to Our Business and Industry—We cannot assure you that our collaboration with Alibaba will be successful.”

Content monetization

During the Track Record Period, we also generated revenue from content monetization. In 2016, we began offering premium content for which we charge a fee. We currently offer a number of premium content programs. We act either as principal or agent in the provision of premium content. From an accounting perspective, we act as principal in the *Expert Lecture* program and with respect to audits of exchanges in the *Expert Q&A* program, and we act as agent in the *Expert Q&A* (except audits) and *Ask the Doctor* programs. In 2016 and 2017 and the first half of 2017 and the first half of 2018, revenue generated from our premium content was RMB1.7 million, RMB24.7 million, RMB7.9 million and RMB18.8 million, respectively.

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The following table sets forth the breakdown of our revenue from content monetization by our role for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
<i>(RMB in thousands)</i>					
Principal	—	1,381	20,860	6,929	16,297
Agent.....	—	306	3,796	961	2,514
Total.....	—	1,687	24,656	7,890	18,811

Cost of Revenue

Cost of revenue primarily consists of cost of inventories, staff costs, direct cost of advertising, IT infrastructure and maintenance costs, operating lease, cost of content monetization and depreciation and amortization. The following table sets forth the breakdown of our cost of revenue by nature for the periods presented:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
<i>(RMB in thousands, except percentages)</i>										
Cost of inventories	33,582	37.0%	142,045	59.4%	165,320	61.6%	97,637	68.2%	40,966	43.3%
Staff costs	21,270	23.4%	36,185	15.1%	41,627	15.5%	18,955	13.2%	24,812	26.2%
Direct cost of										
advertising.....	14,561	16.0%	29,904	12.5%	18,840	7.0%	6,514	4.6%	10,163	10.7%
IT infrastructure and										
maintenance costs....	7,045	7.8%	12,673	5.3%	17,612	6.6%	8,516	5.9%	9,312	9.8%
Operating lease	10,201	11.2%	12,094	5.1%	10,752	4.0%	5,133	3.6%	3,471	3.7%
Cost of content										
monetization	—	—	1,301	0.5%	8,406	3.1%	3,741	2.6%	1,686	1.8%
Depreciation and										
amortization	1,153	1.3%	1,759	0.7%	3,905	1.5%	1,691	1.2%	2,425	2.6%
Others ⁽¹⁾	2,979	3.3%	3,321	1.4%	2,064	0.7%	955	0.7%	1,743	1.9%
Total	90,791	100.0%	239,282	100.0%	268,526	100.0%	143,142	100.0%	94,578	100.0%

Note:

(1) Others primarily consist of travelling and entertainment expenses and utilities and office expenses.

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As we commence collaboration with Alibaba, we expect that our cost of revenue relating to direct sales in our e-commerce business will decrease. Our cost of revenue relating to C2M will increase as we plan to scale up that business.

Cost of inventories

Cost of inventories primarily comprises the procurement cost for our direct sales on our e-commerce platform.

Staff costs

Staff costs primarily comprise (i) salaries, wages and other benefits to staff directly related to platform operations, (ii) contributions to defined contribution retirement plan, (iii) equity-settled share-based payment expenses in relation to our employee share incentive plans and (iv) termination benefits, related to our revenue-generating operations.

Direct cost of advertising

Direct cost of advertising primarily comprises the costs related to video ads production, the costs of ancillary promotional materials and services as well as costs of organizing offline advertising events.

IT infrastructure and maintenance costs

IT infrastructure and maintenance costs are primarily related to IDC, CDN and cloud services.

Operating lease

Operating lease primarily comprises rental payments related to our offices related to our revenue-generating activities.

Cost of content monetization

Cost of content monetization primarily consists of content cost paid to institutions, experts and certain users who posed the questions in the initial exchanges.

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Gross Profit and Gross Profit Margin

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

	For the year ended December 31,			For the six months ended June 30,		
	2015	2016	2017	2017	2018	
<i>(RMB in thousands, except percentages)</i>						
Advertising.....	113,535	67.8% 176,566	65.9% 283,588	76.2% 131,268	77.2% 248,683	83.4%
E-commerce	(4,323)	* 94,206	39.2% 161,676	48.6% 83,554	45.5% 47,254	52.2%
Content monetization.....	—	— (322)	* 15,834	64.2% 3,806	48.2% 17,008	90.4%
Total	109,212	54.6% 270,450	53.1% 461,098	63.2% 218,628	60.4% 312,945	76.8%

* Not meaningful

Advertising. The gross margin of our advertising business historically has been positively affected by the expanding scale of our advertising service due to the continuous expansion of our user base which makes our advertising services more desirable for advertisers. However, in 2016, the gross margin of our advertising business was negatively affected by the proportion of ancillary promotional materials and services, which had a relatively high cost, provided to major clients.

E-commerce. We operate our e-commerce business under two models, namely, direct sales and marketplace. With respect to direct sales, we take inventory and generally have a lower gross profit margin. With respect to marketplace, we recognize sales commissions from vendors as our revenue and do not have cost of inventory, resulting in generally higher gross profit margins. As a result, the gross profit margin for our e-commerce business to a large extent depends on the relative proportions of revenue derived from direct sales and marketplace. We incurred a gross loss for the e-commerce business for 2015, primarily because the business was at an early stage of development, and the revenue was offset by discounts and promotions.

Content monetization. We have different revenue-sharing arrangements with content providers for our various premium content programs. We act as principal under *Expert Lectures* and audits of *Expert Q&A*. Under such programs, we record the full amount paid by users as our revenue and the amount shared to experts as our cost. We act as agent under *Ask the Doctor* and *Expert Q&A* (except audits). Under such programs, we record the net amount we receive as our revenue and do not have significant direct cost of service. Therefore, our gross profit margin is generally higher when we act as agent. In addition, in most of our premium content programs, the content providers are entitled to revenue sharing only for a limited period of time. See “Business—Monetization—Content Monetization—Pricing.” Therefore, once the revenue-sharing period is over, our relevant cost of content monetization will decrease and gross profit margin will further increase.

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Other Revenue

Other revenue primarily consists of (i) investment income from short-term investment, which refer to certain wealth management products we had purchased in China (see “—Discussion of Certain Key Balance Sheet Items—Short-term Investment”), (ii) investment income from structure deposits in other current assets and (iii) government grants. In 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, our other revenue amounted to RMB2.5 million, RMB16.7 million, RMB54.3 million, RMB42.3 million and RMB8.3 million, respectively.

The following table sets forth a breakdown of our other revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(RMB in thousands, except percentages)									
Investment income from short-term investment	—	—	8,418	50.5%	49,646	91.4%	40,073	94.6%	6,883	83.0%
Investment income from structure deposits in other current assets.....	2,517	100%	8,238	49.5%	2,177	4.0%	1,307	3.1%	815	9.8%
Government grants.....	—	—	—	—	2,508	4.6%	959	2.3%	594	7.2%
Total	2,517	100%	16,656	100%	54,331	100%	42,339	100.0%	8,292	100.0%

Other Net Income/(Loss)

Other net loss primarily consists of (i) net foreign exchange gain/(loss), (ii) impairment losses of equity securities and (iii) net losses on disposal of property, plant and equipment. The equity securities primarily refer to our non-trading equity investment in companies in which we did not have significant influence. In 2015 and 2016, our other net income amounted to RMB0.4 million and RMB5.5 million, respectively. In 2017 and the first half of 2017 and the first half of 2018, we incurred other net loss of RMB10.7 million, RMB1.2 million and RMB5.5 million, respectively.

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The following table sets forth a breakdown of our other net income/(loss) for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(RMB in thousands, except percentages)									
Net foreign exchange gain/(loss)	467	125.9%	6,339	115.9%	(6,751)	62.9%	(1,294)	109.4%	(6,063)	111.1%
Impairment losses of equity securities	—	—	—	—	(4,000)	37.2%	—	—	—	—
Net losses on disposal of property, plant and equipment	(45)	(12.1%)	(265)	(4.9%)	—	—	—	—	—	—
Others	(51)	(13.8%)	(604)	(11.0%)	9	(0.1%)	111	(9.4%)	608	(11.1%)
Total	371	100%	5,470	100%	(10,742)	100%	(1,183)	100.0%	(5,455)	100.0%

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff costs in relation to our sales and marketing staff, fulfillment expenses of direct sales primarily consisting of warehouse and shipping costs, and marketing expenses. Our selling and marketing expenses accounted for 96.7%, 27.4% and 20.0% of our revenue for 2015, 2016 and 2017. The general trend of decrease from 2015 to 2017 was primarily a result of our reduction of brand promotion spending following our enhanced brand awareness. Such expenses remained relatively stable in the first half of 2017 and the first half of 2018, which accounted for 19.1% and 20.6% of our revenue, respectively. The table below sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(RMB in thousands, except percentages)									
Staff costs	40,665	21.1%	50,376	36.0%	65,336	44.8%	33,893	48.9%	48,709	58.0%
Fulfillment expenses.....	16,281	8.4%	33,728	24.1%	32,312	22.2%	17,859	25.8%	11,163	13.3%
Marketing expenses	126,304	65.3%	37,998	27.2%	30,019	20.6%	10,253	14.8%	16,413	19.5%
Operating lease.....	4,532	2.3%	8,963	6.4%	8,421	5.8%	3,910	5.6%	3,254	3.9%
Depreciation and amortization	488	0.3%	1,000	0.7%	1,897	1.3%	679	1.0%	661	0.8%
Others ⁽¹⁾	5,083	2.6%	7,819	5.6%	7,760	5.3%	2,669	3.9%	3,815	4.5%
Total	193,353	100%	139,884	100%	145,745	100%	69,263	100.0%	84,015	100.0%

Note:

(1) Others primarily consist of travelling and entertainment expenses and utilities and office expenses.

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Our staff costs relating to selling and marketing staff increased by 23.9% from RMB40.7 million for 2015 to RMB50.4 million for 2016, and further increased by 29.7% to RMB65.3 million for 2017. Our staff costs relating to selling and marketing staff increased by 43.7% from RMB33.9 million for the first half of 2017 to RMB48.7 million for the first half of 2018. Such increase resulted from our business expansion and was outpaced by the increase in our revenue.

Our fulfillment expenses increased significantly from RMB16.3 million for 2015 to RMB33.7 million for 2016, primarily as a result of a ramp-up of our e-commerce direct sales. Our fulfillment expenses decreased slightly in 2017 primarily due to economies of scale. Our fulfillment expenses decreased by 37.5% from RMB17.9 million for the first half of 2017 to RMB11.2 million for the first half of 2018 primarily as a result of reduced direct sales.

Our marketing expenses, mainly related to our brand promotion and business development. Our marketing expenses decreased by 69.9% from RMB126.3 million for 2015 to RMB38.0 million for 2016, and further decreased by 21.0% to RMB30.0 million for 2017. Such decrease was primarily because we reduced our brand promotion spending as a result of our enhanced brand awareness. Our marketing expenses increased by 60.1% from RMB10.3 million for the first half of 2017 to RMB16.4 million for the first half of 2018 primarily because we increased outdoor advertising and conducted marketing campaigns to reconnect with our old customers who had become inactive.

As we commence collaboration with Alibaba, we expect that fulfillment expenses relating to our e-commerce business will decrease as we further reduce direct sales operations.

General and Administration Expenses

General and administration expenses primarily consist of staff costs related to our administrative staff, tax and levies, professional service fees and tax and levies. Our general and administration expenses as a percentage of our revenue was 24.9%, 24.0%, 14.8%, 10.9% and 16.2% for 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively. The decrease from 2016 to 2017 was primarily because a substantial amount of our employee share incentive plans were vested in 2016. Our general and administration expenses increased by 67.4% from RMB39.4 million for the

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first half of 2017 to RMB66.0 million for the first half of 2018, mainly attributable to the increase in professional fees in connection with the preparation for the Global Offering. The following table sets forth the breakdown of our general and administration expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
<i>(RMB in thousands, except percentages)</i>										
Staff costs	20,683	41.6%	80,707	65.8%	45,210	41.9%	21,475	54.5%	20,084	30.4%
Professional service										
fees	2,221	4.5%	1,187	1.0%	22,445	20.8%	156	0.4%	13,902	21.1%
Tax and levies	7,528	15.1%	14,323	11.7%	16,175	15.0%	5,618	14.2%	12,772	19.3%
Operating lease.....	8,557	17.2%	9,212	7.5%	9,245	8.5%	4,297	10.9%	4,221	6.4%
Depreciation and										
amortization	1,963	3.9%	3,747	3.1%	3,033	2.8%	1,418	3.6%	799	1.2%
Impairment losses for										
trade and other										
receivables	2,561	5.2%	4,485	3.7%	1,844	1.7%	2,024	5.1%	7,262	11.0%
Others ⁽¹⁾	6,196	12.5%	8,761	7.2%	10,061	9.3%	4,451	11.3%	6,998	10.6%
Total	<u>49,709</u>	<u>100.0%</u>	<u>122,422</u>	<u>100.0%</u>	<u>108,013</u>	<u>100.0%</u>	<u>39,439</u>	<u>100.0%</u>	<u>66,038</u>	<u>100.0%</u>

Note:

(1) Others primarily consist of travelling and entertainment expenses and utilities and office expenses.

Staff costs were the largest component of our general and administration expenses during the Track Record Period, which amounted to RMB20.7 million, RMB80.7 million, RMB45.2 million, RMB21.5 million and RMB20.1 million for 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively, representing 41.6%, 65.8%, 41.9%, 54.5% and 30.4% of our general and administration expenses. Our staff costs were relatively high for 2016, primarily because a substantial amount of our employee share incentive plans were vested during 2016. Our staff costs were relatively stable for the first half of 2018 compared to that of the first half of 2017.

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Research and Development Expenses

Research and development expenses primarily consist of technical staff costs and depreciation and amortization related to our IT hardware and software. Our research and development expenses accounted for 28.5%, 14.3%, 10.8%, 10.1% and 13.0% of our revenue in 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
<i>(RMB in thousands, except percentages)</i>										
Staff costs	52,498	92.2%	68,249	93.7%	70,609	90.0%	32,575	88.8%	44,594	84.1%
Depreciation and amortization	874	1.5%	1,923	2.6%	3,852	4.9%	2,224	6.1%	2,655	5.0%
Others	3,580	6.3%	2,639	3.7%	4,020	5.1%	1,891	5.1%	5,769	10.9%
Total	56,952	100.0%	72,811	100.0%	78,481	100.0%	36,690	100.0%	53,018	100.0%

Staff costs were the largest component of our research and development expenses, which amounted to RMB52.5 million, RMB68.2 million, RMB70.6 million, RMB32.6 million and RMB44.6 million for 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively. The general trend of increase resulted from our hiring of more technical staff to support our expansion and development and an increase in the average salary paid to such technical staff.

(Loss)/Profit from Operations

As a result of the foregoing, we incurred a loss from operations of RMB187.9 million and RMB42.5 million for 2015 and 2016, respectively. We had a profit from operations of RMB172.4 million, RMB114.4 million and RMB112.7 million for 2017 and the first half of 2017 and the first half of 2018, respectively.

Net Finance Income

Our finance income represents interest income from bank deposits. In 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, our interest income from bank deposits was RMB1.2 million, RMB4.1 million, RMB6.8 million, RMB6.3 million and RMB2.5 million, respectively. Our finance costs in 2015 and the six months ended June 30, 2018 primarily represent interest expense on loans and investment deposit.

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The following table sets forth a breakdown of our net finance income for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	<i>(RMB in thousands)</i>				
Interest income from deposits	1,188	4,081	6,787	6,295	2,462
Interest expense on interest bearing loans	(335)	—	—	—	(18)
Net finance income	853	4,081	6,787	6,295	2,444

Fair Value Change of Financial Liabilities at Fair Value through Profit or Loss

We issued various financial instruments during our previous reorganization. We measured the related financial liabilities at fair value change in such fair-value measurements is reflected under this line-item.

In 2015, Zhongming issued convertible loans in a principal amount of RMB820.3 million to certain series A-1/A-2/A-3 investors. The convertible loans were carried at fair value with change in fair value recognized in profit or loss. On September 8, 2016, Zhongming converted such loans to ordinary shares with preferred rights (“**Preferred Securities**”) and accounted for them as financial instruments with preferred rights. Zhongming recognized losses of RMB112.5 million and RMB178.1 million in the consolidated statements of profit or loss for 2015 and 2016, respectively.

In 2016, Zhongming issued Preferred Securities of RMB2,342.3 million to certain series B/C investors. The Preferred Securities were accounted for as financial instruments with preferred rights and are carried at fair value with change in fair value recognized in profit or loss. Zhongming recognized losses of RMB749.3 million, RMB1,049.9 million, RMB477.1 million and RMB2,297.3 million in the consolidated statements of profit or loss for 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively.

Share of Losses of Associates

Our share of losses of associates during the Track Record Period represents our share of the loss of Beijing Qiming Changyuan Education Technology and Development Co., Ltd. (held as to 13.34%), Beijing Qiyuji Culture and Media Co., Ltd. (held as to 25.00%), Zhiqudezhihishifenzi (Beijing) Media Co., Ltd. (held as to 3.88%) and Decaijiebei (Beijing) Technology Co., Ltd. (held as to 4.36%). We recorded a loss from equity investment in the amount of RMB0.9 million, RMB2.4 million, RMB1.3 million and RMB0.8 million in 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively.

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Taxation

In 2015 and 2016, we had income tax credit of RMB13.2 million and RMB32.2 million, respectively, primarily as a result of eligible losses carried forward from previous years. In 2017, we had income tax expense of RMB38.0 million. Our income tax expense primarily consists of enterprise income tax payable by us and our subsidiaries in the PRC. In the first half of 2018, we had income tax credit of RMB7.9 million, primarily due to a deductible loss on the disposal of BabyTree Information by Zhongming to BabyTree Hong Kong within the Group during the Pre-IPO Reorganization.

During the Track Record Period, we were subject to a uniform income tax rate of 25%. Pursuant to the relevant PRC income tax law, our subsidiary, BabyTree Information, was certified as a New and High Technology Enterprise in Beijing since 2016, and is entitled to a preferential income tax rate of 15%. The current certification of New and High Technology Enterprise held by BabyTree Information will expire on December 21, 2019.

Our effective tax rates were 4%, 3%, -4%, -8% and -0.4% in 2015, 2016, 2017 and the first half of 2017 and the first half of 2018, respectively, calculated based on income tax credit / (expense) divided by loss before income tax. The deviation from the statutory tax rates was mainly due to the effect of non-deductible fair value change of financial liabilities at fair value through profit or loss and unutilized/unrecognized tax losses during the Track Record Period. In the year of 2015 and 2016 and the six months ended June 30, 2018, we made tax losses even without considering the effect of fair value change of financial liabilities at fair value through profit or loss. In the six months ended June 30, 2017 and the year of 2017, major subsidiaries of the Group made taxable profits and recognized tax expenses in their individual financial statements accordingly. However, the Group as a whole incurred a loss because of the fair value change of the financial liabilities through profit or loss. Therefore, the effective tax rates for the six months ended June 30, 2017 and the year of 2017 were negative.

As of the Latest Practicable Date, we had fulfilled all of our tax obligations and we were not aware of any outstanding or potential disputes with relevant tax authorities.

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5%. Hong Kong does not impose a withholding tax on dividends.

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PRC

Our PRC subsidiaries and affiliated entities, which are considered PRC resident enterprises under PRC tax law, are subject to enterprise income tax on their worldwide taxable income as determined under PRC tax laws and accounting standards at a rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. We are also subject to surcharges on VAT payments in accordance with PRC law. According to the relevant PRC income tax law, our subsidiary, BabyTree Information, was certified as a New and High Technology Enterprise in Beijing since 2016, and is entitled to a preferential income tax rate of 15%, which has been applied since 2016. The current certification of New and High Technology Enterprise held by BabyTree Information will expire on December 21, 2019.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for Avoidance of Double Taxation and Prevention of Tax Evasion and receives approval from the relevant tax authority. If the relevant Hong Kong entity satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong entity would be subject to withholding tax at the standard rate of 5%.

The share of tax expense attributable to associates amounted to nil for the Track Record Period. If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

Loss for the Year

As a result of the foregoing, we incurred a net loss of RMB286.4 million, RMB934.5 million and RMB911.1 million, RMB388.0 million and RMB2,175.0 million for 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively.

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use a non-IFRS measure, adjusted (loss)/profit for the year, as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management considers to be not indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted (loss)/profit for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRS. We define adjusted (loss)/profit for the year as loss for the year adjusted by adding back

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fair value change of financial liabilities at fair value through profit or loss and equity-settled share-based payment expense. The following table reconciles our adjusted (loss)/profit for the year for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is loss for the year/period:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	<i>(RMB in thousands)</i>				
Loss for the year/period	(286,420)	(934,539)	(911,138)	(387,989)	(2,175,001)
Add:					
Fair value change of financial liabilities at fair value through profit or loss	112,516	927,335	1,049,907	477,148	2,297,296
Equity-settled share-based payment expense.....	1,692	51,566	—	—	—
Adjusted (loss)/profit for the year/period	<u>(172,212)</u>	<u>44,362</u>	<u>138,769</u>	<u>89,159</u>	<u>122,295</u>

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

The First Half of 2018 Compared to the First Half of 2017

Revenue

Our revenue increased by 12.6% from RMB361.8 million for the first half of 2017 to RMB407.5 million for the first half of 2018, primarily due to an increase in revenue from advertising, partially offset by a decrease in revenue from e-commerce.

Advertising. Revenue from our advertising service increased by 75.3% from RMB170.1 million for the first half of 2017 to RMB298.1 million for the first half of 2018, primarily due to our continuing strategy to streamline our advertising sales efforts to focus on winning more “spend” from our major clients, resulting in a higher average revenue from our major clients. We attribute our ability to achieve this to our targeted advertising solutions in various formats and our growing user base. In addition, while a substantial majority of our advertising revenue was derived from the CPM model, which increased by 65.6% between the two periods, we continued to provide advertising service on a CPC basis in the first half of 2018, which we had started in the second half of 2017.

E-commerce. The revenue from our e-commerce operations decreased by 50.7% from RMB183.8 million for the first half of 2017 to RMB90.6 million for the first half of 2018, primarily due to our new monetization strategies to focus on our core advantage in data and data analytical capabilities, by further expanding our advertising business and achieving even greater economies of scale, continuing to grow more profitable new monetization models such as C2M and content monetization, and

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streamlining our general e-commerce business to reduce back-end operational cost and enhance efficiency. Following this shift of priorities, we scaled down both direct sales and marketplace operations, including reducing merchandise procurement for direct sales, clearing inventory and slowing down vendor acquisitions and renewals. Accordingly, revenue from both models declined significantly.

Content monetization. Our revenue generated from content monetization increased significantly from RMB7.9 million for the first half of 2017 to RMB18.8 million for the first half of 2018, primarily due to the expanded premium content offerings, particularly in the *Expert Lecture* program where we act as principal, and more transactions completed.

Cost of revenue

Our cost of revenue decreased by 33.9% from RMB143.1 million for the first half of 2017 to RMB94.6 million for the first half of 2018, primarily due to a decrease in cost of inventories as we scaled down our e-commerce direct sales, partially offset by an increase in staff costs as a result of our continued business expansion and an increase in direct cost of advertising in line with our revenue growth in that segment.

Gross profit and gross profit margin

Our gross profit increased by 43.1% from RMB218.6 million for the first half of 2017 to RMB312.9 million for the first half of 2018. Our gross profit margin increased from 60.4% in the first half of 2017 to 76.8% in the first half of 2018, primarily due to following movements in our segments:

Advertising. Our gross profit margin for advertising service increased from 77.2% in the first half of 2017 to 83.4% in the first half of 2018, primarily due to our focus on increasing advertising “spend” by major clients.

E-commerce. Our gross profit margin for e-commerce increased from 45.5% in the first half of 2017 to 52.2% in the first half of 2018, primarily due to an increased relative proportion of our marketplace e-commerce which has a higher gross margin. We scaled down both direct sales and marketplace operations but proportionally marketplace became higher.

Content monetization. Our gross profit margin for content monetization increased from 48.2% in the first half of 2017 to 90.4% in the first half of 2018, primarily because we achieved substantial revenue growth from selling premium content in the third year of development of this segment, while numerous content pieces produced in 2017 had exited the relevant revenue-sharing periods, translating into lower cost of revenue for us.

Other revenue

Our other revenue decreased by 80.4% from RMB42.3 million for the first half of 2017 to RMB8.3 million for the first half of 2018, primarily because of a decrease in the investment income from short-term investment as we reduced such investments.

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Other net income / (loss)

Our other net loss increased significantly from RMB1.2 million for the first half of 2017 to RMB5.5 million for the first half of 2018, primarily due to fluctuations in the U.S. dollar to Renminbi exchange rates in the context of our international orders. See “—Discussion of Certain Key Balance Sheet Items—Prepayments and Other Receivables.”

Selling and marketing expenses

Our selling and marketing expenses increased by 21.3% from RMB69.3 million for the first half of 2017 to RMB84.0 million for the first half of 2018. The increase was primarily due to (i) an increase in our staff costs as a result of our business expansion and (ii) an increase in marketing expenses because we increased outdoor advertising and conducted marketing campaigns to reconnect with our old customers who had become inactive, partially offset by a decrease in fulfillment expenses as a result of reduced direct sales.

General and administration expenses

Our general and administration expenses increased by 67.4% from RMB39.4 million for the first half of 2017 to RMB66.0 million for the first half of 2018, primarily due to (i) an increase in professional fees in connection with the preparation for this offering, (ii) an increase in impairment losses for trade and other receivables due to higher balances of such receivables and (iii) an increase in tax and levies.

Research and development expenses

Our research and development expenses increased by 44.5% from RMB36.7 million for the first half of 2017 to RMB53.0 million for the first half of 2018, primarily due to a further increase in the headcount of our technology staff as we continued recruitment efforts to support our expansion.

(Loss) / Profit from operations

As a result of the foregoing, our profit from operations decreased slightly by 1.5% from RMB114.4 million for the first half of 2017 to RMB112.7 million for the first half of 2018.

Net finance income

Our net finance income decreased significantly from RMB6.3 million for the first half of 2017 to RMB2.4 million for the first half of 2018, primarily due to a decrease in the interest income from bank deposits.

Fair value change of financial liabilities at fair value through profit or loss

Our fair value loss of financial liabilities at fair value through profit or loss increased from RMB477.1 million for the first half of 2017 to RMB2,297.3 million for the first half of 2018, primarily due to an increase in the fair value of our financial instruments with preferred rights.

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Share of losses of associates

Our share of losses of associates decreased from RMB1.3 million for the first half of 2017 to RMB0.8 million for the first half of 2018.

Loss before income tax

As a result of the foregoing, our loss before income tax increased from RMB357.8 million for the first half of 2017 to RMB2,182.9 million for the first half of 2018.

Income tax credit/(expense)

We had an income tax expense of RMB30.2 million for the first half of 2017 as a result of our profit from operations and an income tax credit of RMB7.9 million for the first half of 2018 in connection with Zhongming's disposal of BabyTree Information during the Pre-IPO Reorganization at a book loss. See “—Discussion of Certain Key Balance Sheet Items—Deferred Tax Assets.”

Loss for the year

As a result of the foregoing, our loss for the year increased from RMB388.0 million for the first half of 2017 to RMB2,175.0 million for the first half of 2018.

2017 Compared to 2016

Revenue

Our revenue increased by 43.1% from RMB509.7 million for 2016 to RMB729.6 million for 2017, due to an increase in our revenue from each of our three revenue segments as a result of our business expansion.

Advertising. Revenue from our advertising service increased by 39.0% from RMB267.9 million for 2016 to RMB372.4 million for 2017, primarily due to our strategy to streamline our advertising sales efforts to focus on winning more “spend” from our major clients, resulting in a higher average revenue from our major clients. We attribute our ability to achieve this to our targeted advertising solutions in various formats and our growing user base. In addition, we also started to provide advertising service on a CPC basis.

E-commerce. The revenue from our e-commerce operations increased by 38.5% from RMB240.2 million for 2016 to RMB332.6 million for 2017, primarily due to an increase in both the number of orders placed on our e-commerce platform and the average price per order, which was in turn due to an increase in the number of vendors on our marketplace and a more diversified product portfolio for our direct sales for users to choose from.

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Content monetization. Our revenue generated from content monetization increased from RMB1.7 million for 2016 to RMB24.7 million for 2017, primarily due to the expanded premium content offerings, including the launch of *Expert Q&A* and *Ask the Doctor* in 2017 in the provision of which we act as agent, and more transactions completed as a result of an increase in paying users in 2017. Such increase resulted from our efforts to further diversify our content offerings and provide content products that interest more users.

Cost of revenue

Our cost of revenue increased by 12.2% from RMB239.3 million for 2016 to RMB268.5 million for 2017, primarily due to an increase in cost of inventories as we continued to scale-up our direct sales, an increase in staff costs as a result of our business expansion, partially offset by a decrease in direct cost of advertising as a result of a decrease in ancillary promotional materials and services provided to or on behalf of our key account clients.

Gross profit and gross profit margin

Our gross profit increased by 70.5% from RMB270.5 million for 2016 to RMB461.1 million for 2017. Our gross profit margin increased from 53.1% in 2016 to 63.2% in 2017, primarily due to following movements in our segments:

Advertising. Our gross profit margin for advertising service increased from 65.9% in 2016 to 76.2% in 2017, primarily due to economies of scale, as we focused on increasing advertising “spend” by major clients. The increase in gross profit margin was also contributed by a decrease in ancillary promotional materials and services provided to or on behalf of certain key-account clients which required higher costs relative to revenue generated.

E-commerce. Our gross profit margin for e-commerce increased from 39.2% in 2016 to 48.6% in 2017, primarily due to the continued scale-up of our e-commerce platform and an increased relative proportion of our marketplace e-commerce which has a higher gross margin.

Other revenue

Our other revenue increased by 226.2% from RMB16.7 million for 2016 to RMB54.3 million for 2017, primarily because of an increase in the investment income from short-term investment in 2017.

Other net income / (loss)

We had other net income of RMB5.5 million for 2016 and other net loss of RMB10.7 million for 2017, primarily due to a net foreign exchange gain of RMB6.3 million for 2016 and a net foreign exchange loss of RMB6.8 million for 2017, both as a result of fluctuations in the U.S. dollar to Renminbi exchange rates in the context of our international orders. See “—Discussion of Certain Key Balance Sheet Items—Prepayments and Other Receivables.”

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Selling and marketing expenses

Our selling and marketing expenses slightly increased by 4.2% from RMB139.9 million for 2016 to RMB145.7 million for 2017. This slight increase was primarily due to an increase in our staff costs as a result of our business expansion, partially offset by a decrease in marketing expenses as we had a more established brand image and reputation among users. Our selling and marketing expenses as a percentage of our revenue decreased from 27.4% for 2016 to 20.0% for 2017, primarily due to a lower selling and marketing spend as a result of our enhanced brand awareness.

General and administration expenses

Our general and administration expenses decreased by 11.8% from RMB122.4 million for 2016 to RMB108.0 million for 2017, primarily due to a decrease in share-based payments as a substantial amount of our employee share incentive plans were vested during 2016, partially offset by an increase in professional service fees.

Research and development expenses

Our research and development expenses increased by 7.8% from RMB72.8 million for 2016 to RMB78.5 million for 2017, primarily due to (i) an increase in the headcount and average salary of our technology staff and (ii) an increase in depreciation as we had purchased more servers to support our expansion. These increases resulted from our efforts to optimize our platforms to provide better user experience and support our long-term expansion.

(Loss) / Profit from operations

As a result of the foregoing, we incurred loss from operations of RMB42.5 million for 2016 and recorded profit from operations of RMB172.4 million for 2017.

Net finance income

Our net finance income increased by 66.3% from RMB4.1 million for 2016 to RMB6.8 million for 2017, primarily due to an increase in the interest income from bank deposits.

Fair value change of financial liabilities at fair value through profit or loss

Our fair value loss of financial liabilities at fair value through profit or loss increased from RMB927.3 million for 2016 to RMB1,049.9 million for 2017, primarily due to an increase in the fair value of our financial instruments with preferred rights.

Share of losses of associates

Our share of losses of associates increased from RMB0.9 million for 2016 to RMB2.4 million for 2017.

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Loss before income tax

As a result of the foregoing, our loss before income tax decreased by 9.7% from RMB966.7 million for 2016 to RMB873.1 million for 2017.

Income tax credit/(expense)

We had an income tax credit of RMB32.2 million for 2016 primarily due to eligible losses carried forward from previous years and an income tax expense of RMB38.0 million for 2017 as a result of our profit from operations. See “—Discussion of Certain Key Balance Sheet Items—Deferred Tax Assets.”

Loss for the year

As a result of the foregoing, our loss for the year decreased from RMB934.5 million for 2016 to RMB911.1 million for 2017.

2016 Compared to 2015

Revenue

Our revenue increased by 154.9% from RMB200.0 million for 2015 to RMB509.7 million for 2016, due to an increase in our revenue from each of our three revenue segments as a result of our business expansion.

Advertising. Revenue from our advertising service increased by 60.1% from RMB167.3 million for 2015 to RMB267.9 million for 2016, primarily due to an increase in the number of our advertising customers. Such an expansion of our customer base was due to our ability to provide targeted advertising solutions and expanding user base, which made us more attractive to our advertising clients.

E-commerce. Revenue from our e-commerce operations increased significantly from RMB32.7 million for 2015 to RMB240.2 million for 2016, due to an increase in revenue derived from both marketplace and direct sales. Our marketplace was at an early stage of development in 2015, and the revenue was offset by discounts and promotions we gave to our users. As more vendors gradually opened their stores in our marketplace during 2015, more orders were placed and as a result more revenue was generated in 2016. The increase in our direct sales was primarily due to a ramp-up in scale. The increase in revenue from our e-commerce business was also due to an increase in the number of paying users resulting from a higher conversion rate of our user traffic as we continued to expand our user base and improve user engagement.

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Content monetization. Our revenue from content monetization was RMB1.7 million for 2016, generated from premium content in the provision of which we act as principal which started that year.

Cost of revenue

Our cost of revenue increased significantly from RMB90.8 million for 2015 to RMB239.3 million for 2016, primarily due to an increase in our cost of inventories from RMB33.6 million for 2015 to RMB142.0 million for 2016 as we ramped up our e-commerce business, an increase in staff costs as a result of our business expansion, an increase in direct cost of advertising as we provided ancillary promotional materials and services to our key account customers and an increase in IT infrastructure and maintenance costs due to increased user traffic.

Gross profit and gross profit margin

Our gross profit increased significantly from RMB109.2 million for 2015 to RMB270.5 million for 2016. Our gross profit margin decreased from 54.6% in 2015 to 53.1% in 2016, primarily due to the following movements in our segments:

Advertising. Our gross profit margin for advertising service decreased from 67.8% in 2015 to 65.9% in 2016, primarily due to an increase in ancillary promotional materials and services provided to or on behalf of certain key-account clients which required higher costs as a percentage of revenue generated.

E-commerce. Our gross profit margin for e-commerce increased to 39.2% in 2016, primarily due to the continued ramp-up of our e-commerce platform since its launch in 2015 and an increased relative proportion of our marketplace e-commerce which was commenced in 2016.

Other revenue

Our other revenue increased from RMB2.5 million for 2015 to RMB16.7 million for 2016, primarily because of an increase in investment income from short-term investment of RMB8.4 million and the increase in investment income from structure deposits of RMB5.7 million.

Other net income / (loss)

Our other net income increased from RMB0.4 million for 2015 to RMB5.5 million for 2016, primarily due to an increase in our net foreign exchange gain in relation to our international orders.

Selling and marketing expenses

Our selling and marketing expenses decreased by 27.7% from RMB193.4 million for 2015 to RMB139.9 million for 2016, primarily due to a decrease in marketing expenses. We had such a decrease primarily because we incurred relatively more expenses on marketing and advertising to promote our platforms and brand in 2015 when content monetization and e-commerce businesses were at an early stage of development, including ads on TV programs and outdoor ads. As our user base expanded and our brand awareness was enhanced, we incurred less expense on marketing and advertising in 2016. Our selling and marketing expenses as a percentage of our revenue decreased from 96.7% for 2015 to 27.4% for 2016.

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General and administration expenses

Our general and administration expenses increased significantly from RMB49.7 million for 2015 to RMB122.4 million for 2016, primarily because of an increase in staff costs resulting from an increase in share-based payment expenses. We had such increase because a substantial amount of our employee share incentive plans were vested during 2016.

Research and development expenses

Our research and development expenses increased by 27.8% from RMB57.0 million for 2015 to RMB72.8 million for 2016, primarily because of an increase in staff costs, which was in turn due to an increase in headcount and average salary of our technical staff. Such increase resulted from our strategy to optimize our platforms to support our further expansion and improve user experience.

Loss from operations

As a result of the foregoing, our loss from operations decreased by 77.4% from RMB187.9 million for 2015 to RMB42.5 million for 2016.

Net finance income

Our net finance income increased by 378.4% from RMB0.9 million for 2015 to RMB4.1 million for 2016, primarily due to an increase in our bank deposits.

Fair value change of financial liabilities at fair value through profit or loss

Our fair value loss of financial liabilities at fair value through profit or loss increased from RMB112.5 million for 2015 to RMB927.3 million for 2016, primarily due to an increase in the fair value of our convertible loans and financial instruments with preferred rights.

Share of losses of associates

We incurred a share of loss of associates of RMB0.9 million for 2016.

Loss before income tax

As a result of the foregoing, our loss before income tax increased from RMB299.6 million for 2015 to RMB966.7 million for 2016.

Income tax credit/(expense)

Our income tax credit increased significantly from RMB13.2 million for 2015 to RMB32.2 million for 2016, primarily due to losses carried forward from previous years.

(Loss)/Profit for the year

As a result of the foregoing, our loss for the year increased significantly from RMB286.4 million for 2015 to RMB934.5 million for 2016.

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DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been derived from our consolidated financial information included in Appendix I to this Prospectus.

	As of December 31,			As of
	2015	2016	2017	June 30, 2018
	<i>(RMB in thousands)</i>			
Non-current assets				
Property, plant and equipment	19,616	26,456	27,160	26,309
Intangible assets	2,848	4,016	5,638	4,603
Interests in associates	—	12,051	13,625	12,863
Equity securities	4,000	4,000	7,323	9,236
Deferred tax assets.....	17,855	54,309	24,881	39,663
Total non-current assets	<u>44,319</u>	<u>100,832</u>	<u>78,627</u>	<u>92,674</u>
Current assets				
Other current assets	311,213	16,885	8,691	111,722
Inventories	11,570	40,282	36,297	27,651
Trade receivables	95,035	156,122	149,001	305,475
Prepayments and other receivables	130,515	154,296	202,404	220,967
Short-term investment	305,571	3,214,334	517,556	—
Restricted deposit	—	72,850	—	—
Cash and cash equivalents	<u>114,890</u>	<u>133,171</u>	<u>204,783</u>	<u>1,411,332</u>
Total current assets	<u>968,794</u>	<u>3,787,940</u>	<u>1,118,732</u>	<u>2,077,147</u>
Current liabilities				
Trade payables	15,043	24,390	21,549	14,393
Accruals and other payables	245,934	293,851	310,530	317,423
Current taxation	<u>565</u>	<u>4,195</u>	<u>7,828</u>	<u>5,727</u>
Total current liabilities	<u>261,542</u>	<u>322,436</u>	<u>339,907</u>	<u>337,543</u>
Net current assets	707,252	3,465,504	778,825	1,739,604
Non-current liabilities				
Convertible loans	932,800	—	—	—
Financial instruments with preferred rights	—	4,202,425	5,252,332	8,708,423
Deferred tax liabilities	1,442	3,992	740	61
Total non-current liabilities	934,242	4,206,417	5,253,072	8,708,484
Net liabilities	182,671	640,081	4,395,620	6,876,206
Equity	(182,671)	(640,081)	(4,395,620)	(6,876,206)

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The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2015	2016	2017	June 30, 2018	September 30, 2018*
	<i>(RMB in thousands)</i>				
Current assets					
Other current assets.....	311,213	16,885	8,691	111,722	21,651
Inventories	11,570	40,282	36,297	27,651	20,310
Trade receivables	95,035	156,122	149,001	305,475	311,093
Prepayments and other					
receivables.....	130,515	154,296	202,404	220,967	107,695
Short-term investment	305,571	3,214,334	517,556	—	521,652
Restricted deposit.....	—	72,850	—	—	—
Cash and cash equivalents	114,890	133,171	204,783	1,411,332	1,049,224
	<u>968,794</u>	<u>3,787,940</u>	<u>1,118,732</u>	<u>2,077,147</u>	<u>2,031,625</u>
Current liabilities					
Trade payables	15,043	24,390	21,549	14,393	8,231
Accruals and other payables	245,934	293,851	310,530	317,423	298,046
Current taxation	<u>565</u>	<u>4,195</u>	<u>7,828</u>	<u>5,727</u>	<u>34</u>
	<u>261,542</u>	<u>322,436</u>	<u>339,907</u>	<u>337,543</u>	<u>306,311</u>
Net current assets	707,252	3,465,504	778,825	1,739,604	1,725,314

* Latest practicable date for liquidity disclosure

We had net current assets of RMB707.3 million, RMB3,465.5 million, RMB778.8 million, RMB1,739.6 million and RMB1,725.3 million as of December 31, 2015, 2016 and 2017, June 30, 2018 and September 30, 2018, respectively.

Our net current assets increased by 123.4% to RMB1,739.6 million as of June 30, 2018 from RMB778.8 million as of December 31, 2017 primarily due to an increase in cash and cash equivalents of RMB1,206.5 million as we received proceeds from the Pre-IPO Investment from Alibaba (through its indirect wholly-owned subsidiary, Taobao China). See “History, Reorganization and Corporate Structure—Pre-IPO Investments.” We also had an increase in trade receivables of RMB156.5 million and an increase in other current assets of RMB103.0 million.

Our net current assets decreased by 77.5% to RMB778.8 million as of December 31, 2017 from RMB3,465.5 million as of December 31, 2016 primarily due to a decrease in short-term investment in the amount of RMB2,696.8 million which were disposed of. See “—Short-term Investment.” This was partially offset by an increase in cash and cash equivalents of RMB71.6 million and prepayments and other receivables of RMB48.1 million.

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Our net current assets increased by 390.0% to RMB3,465.5 million as of December 31, 2016 from RMB707.3 million as of December 31, 2015 primarily due to an increase in short-term investment in the amount of RMB2,908.8 million acquired in 2016 and trade receivables of RMB61.1 million. See “—Short-term Investment.” This was partially offset by a decrease in other current assets of RMB294.3 million and an increase in accruals and other payables of RMB47.9 million.

Property, Plant and Equipment

Our property, plant and equipment mainly consists of electronic equipment, office equipment and leasehold improvements. Our property, plant and equipment increased by 34.9% from RMB19.6 million as of December 31, 2015 to RMB26.5 million as of December 31, 2016, primarily due to procurement of electronic equipment such as computers, servers and other equipment. Our property, plant and equipment remained relatively stable as of December 31, 2016 and 2017 and June 30, 2018, which amounted to RMB26.5 million, RMB27.2 million and RMB26.3 million, respectively.

Intangible Assets

Our intangible assets primarily comprise software. Our intangible assets increased from RMB2.8 million as of December 31, 2015 to RMB4.0 million as of December 31, 2016, and further to RMB5.6 million as of December 31, 2017, primarily due to the procurement of our internal financial system software. Our intangible assets decreased slightly to RMB4.6 million as of June 30, 2018.

Interests in Associates

Interests in associates represent our investment in Beijing Qiming Changyuan Education Technology and Development Co., Ltd. (held as to 13.34%), Beijing Qiyuji Culture and Media Co., Ltd. (held as to 25.00%), Zhiqudezshishifenzi (Beijing) Media Co., Ltd. (held as to 3.88%) and Decaijiebei (Beijing) Technology Co., Ltd. (held as to 4.36%). The total amount of our investments in associates increased from nil as of December 31, 2015 to RMB12.1 million as of December 31, 2016. Our investments in associates stayed relatively stable as of December 31, 2016 and 2017 and June 30, 2018.

Deferred Tax Assets

Our deferred tax assets increased from RMB17.9 million as of December 31, 2015 to RMB54.3 million as of December 31, 2016, because in 2016 we recognized the deferred tax assets arising from eligible tax losses carried forward from previous years. Our deferred tax assets decreased from RMB54.3 million as of December 31, 2016 to RMB24.9 million as of December 31, 2017, due to an increase in the taxable income and the utilization of tax losses in 2017 carried forward from previous years. Our deferred tax assets increased from RMB24.9 million as of December 31, 2017 to RMB39.7 million as of June 30, 2018, primarily due to Zhongming’s disposal of BabyTree Information during the Pre-IPO Reorganization at a book loss, which became deferred tax assets, partially offset by an increase in the taxable income and the utilization of tax losses in 2018 carried forward from previous years. See “—Selected Statements of Profit or Loss Items—Income Tax Credit/(Expense).”

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Other Current Assets

Our other current assets mainly consist of deductible input VAT and structured deposits issued by banks in the PRC. Our other current assets decreased from RMB311.2 million as of December 31, 2015 to RMB16.9 million as of December 31, 2016, primarily due to the disposal of structured deposits. Our other current assets decreased from RMB16.9 million as of December 31, 2016 to RMB8.7 million as of December 31, 2017, primarily due to a decrease in our deductible input VAT as a result of the increase in revenue. Our other current assets increased from RMB8.7 million as of December 31, 2017 to RMB111.7 million as of June 30, 2018 primarily due to an increase in structure deposits.

Inventories

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	June 30,
				2018
	<i>(RMB in thousands)</i>			
Finished goods.....	12,127	42,227	45,297	35,760
Less: provision for inventory ⁽¹⁾	(557)	(1,945)	(9,000)	(8,109)
Inventories, net.....	<u>11,570</u>	<u>40,282</u>	<u>36,297</u>	<u>27,651</u>

Note:

(1) Movements in inventory provision for the years indicated are as follows:

	Year ended December 31,			For the six months	
	2015	2016	2017	ended June 30,	
				2017	2018
	<i>(RMB in thousands)</i>				
At January 1.....	—	(557)	(1,945)	(1,945)	(9,000)
Provision for impairment.....	(557)	(1,454)	(7,948)	(994)	(99)
Transfer to cost of sales upon sold	—	66	893	368	990
At December 31	<u>(557)</u>	<u>(1,945)</u>	<u>(9,000)</u>	<u>(2,571)</u>	<u>(8,109)</u>

Finished goods primarily consist of products offered on our e-commerce platform under our direct sales model.

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Our inventories decreased by 23.8% from RMB36.3 million as of December 31, 2017 to RMB27.7 million as of June 30, 2018, primarily because we scaled down our direct sales e-commerce business. Our inventories decreased by 9.9% from RMB40.3 million as of December 31, 2016 to RMB36.3 million as of December 31, 2017, primarily due to a provision made in 2017 for the clearance of accumulated inventory. Our inventories increased from RMB11.6 million as of December 31, 2015 to RMB40.3 million as of December 31, 2016, primarily due to the expansion of our direct sales e-commerce business.

The following table sets forth our inventory turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
Average inventory turnover days ⁽¹⁾	<u>28</u>	<u>40</u>	<u>52</u>	<u>61</u>

Note:

- (1) Inventory turnover days for a given period equal average inventory balances at the beginning and the end of the period divided by total cost of revenue during the period and then multiplied by the number of days during the period.

Our inventory turnover days increased from 28 days for 2015 to 40 days for 2016, 52 days for 2017, primarily as a result of an increase in the proportion of international orders for our direct sales e-commerce business. Products in international orders must go through custom clearance and thus have a longer turnover period in general. Our inventory turnover days further increased to 61 days for the six months ended June 30, 2018, primarily because we scaled down our direct sales e-commerce business.

As of the Latest Practicable Date, RMB15.2 million, or 54.8%, of our inventory balance as of June 30, 2018 had been sold or utilized.

Trade Receivables

Trade receivables primarily represent outstanding amount due from our customers for advertising service in the ordinary course of business. We provide credit periods ranging from 30 to 90 days from the date of billing or from the date of posting of the related advertisement (in our advertising business).

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The following table sets forth the components of our trade receivables as of the dates indicated and the average trade receivable turnover days for the periods:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	<i>(RMB in thousands)</i>			
Trade receivables	100,490	165,585	159,989	319,701
Less: loss allowance	(5,455)	(9,463)	(10,988)	(14,226)
Net trade receivables	95,035	156,122	149,001	305,475

Our net trade receivables increased generally in the Track Record Period, primarily due to the growth of our advertising service which led to a larger number of advertising customers and increased receivables in the ordinary course of business.

The following table sets forth an aging analysis of our trade receivables, based on the invoice date and net of allowance for doubtful debts, as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	<i>(RMB in thousands)</i>			
Within 6 months	77,711	109,284	127,617	259,868
6 months to 1 year	11,774	34,642	9,056	34,667
1 to 2 years	5,550	9,210	11,431	8,882
2 to 3 years	—	2,986	897	2,058
Over 3 years	—	—	—	—
Total	<u>95,035</u>	<u>156,122</u>	<u>149,001</u>	<u>305,475</u>

The following table sets forth our trade receivable turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
Trade receivables turnover days ⁽¹⁾	<u>137</u>	<u>90</u>	<u>76</u>	<u>100</u>

Note:

- (1) Trade turnover days for a period equals the average of the opening and closing trade receivables divided by revenue for the same period and multiplied by 365 days for a full-year period or the period generating the revenue.

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Our trade receivable turnover days decreased from 137 days for 2015 to 90 days for 2016 and to 76 days for 2017, primarily due to (i) an increase in the revenue from e-commerce business which did not generate trade receivables; (ii) our enhanced trade receivable management policies and collection efforts and (iii) our increased focus on major advertising clients who generally make payments more timely.

Our trade receivable turnover days increased from 76 days for 2017 to 100 days for the six months ended June 30, 2018, primarily due to a significant decline of revenue from our e-commerce business while most of our trade receivables were generated in our advertising business.

As of the Latest Practicable Date, approximately RMB112.4 million, or 32.2%, of our trade receivables as of June 30, 2018 had been settled.

Prepayments and Other Receivables

Prepayments and other receivables include (i) amounts due from related parties, which are amounts due from BabyTree Trading in relation to our international orders; (ii) prepayments to suppliers, which are primarily prepayments made to suppliers of our e-commerce direct sales; (iii) receivables due from third party payment channels, which are primarily fees paid by our customers through third-party payment channels accrued during the few days toward the year end and (iv) other receivables, which primarily consist of deposits paid to third-party suppliers for our direct sales. The following table sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	June 30,
				2018
	<i>(RMB in thousands)</i>			
Amounts due from related parties	92,048	108,846	157,317	188,773
Prepayments to suppliers.....	3,514	14,295	19,262	18,951
Receivables due from third party payment channels	6,433	3,341	9,987	3,298
Other receivables	28,520	27,814	16,112	13,582
Less: loss allowance	—	—	(274)	(3,637)
	<u>130,515</u>	<u>154,296</u>	<u>202,404</u>	<u>220,967</u>

Our prepayments and other receivables increased by 18.2% from RMB130.5 million as of December 31, 2015 to RMB154.3 million as of December 31, 2016, and increased further by 31.2% to RMB202.4 million as of December 31, 2017, and increased still further by 9.2% to RMB221.0 million as of June 30, 2018, primarily due to an increase in amounts due from related parties relating to deposits paid through a related party to suppliers of international orders, a segment of our e-commerce business, and an increase in prepayments to suppliers as a result of the growth of our e-commerce business.

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During the Track Record Period, we placed international purchase orders through BabyTree Trading, an affiliate incorporated in Hong Kong primarily for operational convenience because PRC entities are subject to foreign-currency restrictions and could not accept or remit foreign currencies for payment. BabyTree Trading, being a Hong Kong company, is not subject to such restrictions. As advised by the PRC Legal Advisors, our arrangement to conduct international orders through BabyTree Trading does not violate PRC laws and regulations. We will settle our amounts due to and from BabyTree Trading before Listing. After Listing, we will use a subsidiary in Hong Kong to place our international purchase orders. We do not anticipate any material adverse impact on our international orders business from this arrangement.

Short-term Investment

During the Track Record Period, we invested in certain wealth management products, with respect to most of which our full recovery of the principal investment amounts is guaranteed and protected by the respective banks. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to market and investment conditions, economic developments, investment cost, duration of investment and the expected returns and potential losses of such investment. These wealth management products we invested in during the Track Record Period were mainly used by the issuing banks to invest in (i) highly liquid assets, such as PRC government bonds, financial bonds, corporate bonds, enterprise bonds, short-term financing instruments, medium-term notes, subordinated bonds and other investment-grade debt instruments; and (ii) various types of asset management plans, or a combination of any of the foregoing. During the Track Record Period, our annual return on the wealth management products ranged from 3.5% to 5.3%, with a relatively short term of 30 to 90 days to ensure sufficient liquidity. According to the underlying contracts for these wealth management products, the investment allocation decisions of these funds are generally made by the issuing banks on a discretionary basis. We made investments in these wealth management products primarily for the purposes of enhancing our income without interfering with our business operation or capital expenditures.

Our treasury department, under the supervision of financing director, is responsible for managing our investment activities. Our treasury department assesses our cash flow, operational needs and capital expenditure before making a proposal to invest in investment products. If our cash flow exceeds operational needs and appropriate short-term investment opportunities are available, our treasury department will usually submit the investment proposal to our chief financial officer for approval according to our internal policies.

We believe that our internal control policies regarding investment in financial assets and risk management mechanism are adequate. To achieve reasonably higher return on our excess cash than regular bank deposits, we may continue to take a prudent approach to make selective investment in similar wealth management products in accordance with our internal wealth investment policies.

As of December 31, 2015, 2016 and 2017 and June 30, 2018, the aggregate principal amount of the wealth management products we invested in was RMB305.6 million, RMB3,214.3 million, RMB517.6 million and nil, respectively. In 2016, we received investment proceeds from the second-round financing and purchased selected wealth management products. See “History, Reorganization and Corporate Structure—Pre-IPO Investment.”

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Trade Payables

Trade payables are primarily related to payables to suppliers of our direct sales of our e-commerce platform and fulfillment service fees payable to service providers. The following table sets forth an aging analysis of our trade payables to third parties, based on the invoice date, as of the dates indicated.

	As of December 31,			As of
	2015	2016	2017	June 30,
				2018
	<i>(RMB in thousands)</i>			
Within 6 months	13,889	20,698	16,444	13,924
6 months to 1 year.....	908	3,653	4,610	469
1 to 2 years	246	39	495	—
Total	<u>15,043</u>	<u>24,390</u>	<u>21,549</u>	<u>14,393</u>

The following table sets forth our trade payable turnover days for the periods indicated.

	For the year ended December 31,			For the six
	2015	2016	2017	months
				ended
				June 30,
				2018
Trade payable turnover days ⁽¹⁾	51	30	31	34

Note:

- (1) Trade payable turnover days for a period equals the average of the opening and closing trade payable balance divided by cost of revenue for the same period and multiplied by 365 days for a full-year period or the period generating the revenue.

Our trade payables decreased by 33.2% from RMB21.5 million as of December 31, 2017 to RMB14.4 million as of June 30, 2018, primarily because we scaled down our direct sales e-commerce business. Our trade payables decreased by 11.6% from RMB24.4 million as of December 31, 2016 to RMB21.5 million as of December 31, 2017, primarily due to a more prudent procurement inventory strategy. Our trade payables increased by 62.1% from RMB15.0 million as of December 31, 2015 to RMB24.4 million as of December 31, 2016, primarily due to the growth of our e-commerce business.

Our trade payable turnover days decreased from 51 days for 2015 to 30 days for 2016, primarily because we had proportionally more international orders in 2015, which generally have longer trade payable turnover days. Our trade payable turnover days remained relatively stable for 2016, 2017 and for the six months ended June 30, 2018, primarily due to our efforts to standardize our settlement policies with our suppliers in 2016.

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As of the Latest Practicable Date, approximately RMB13.7 million, or 97.7%, of our trade payables as of June 30, 2018 had been settled.

Accruals and Other Payables

Our accruals and other payables primarily comprise (i) amounts due to merchants related to the payments we received from customers on behalf of third-party vendors in our marketplace and deposits paid by third-party vendors, (ii) amounts due to related parties, BabyTree Trading, in relation to our international orders, (iii) payroll payables and (iv) other payables. Our other payables primarily comprised marketing and promotion expenses related to our brand promotion activities in 2015 and the prepayment from a potential investor in 2016. We will settle our amounts due to and from BabyTree Trading before Listing. The following table sets forth our accruals and other payables as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	June 30, 2018
	<i>(RMB in thousands)</i>			
Amounts due to merchants	100,614	152,800	142,854	107,263
Amounts due to related parties.....	79,237	10,251	47,764	70,570
Payroll payables.....	15,782	27,505	30,099	39,718
Deposits from merchants.....	3,780	13,698	17,609	18,279
Advances from customers	2,957	13,693	12,302	13,324
Tax and levies payables	7,239	9,474	12,223	12,444
Other payables	36,325	66,430	47,679	55,825
	<u>245,934</u>	<u>293,851</u>	<u>310,530</u>	<u>317,423</u>

Our accruals and other payables increased by 5.7% from RMB293.9 million as of December 31, 2016 to RMB310.5 million as of December 31, 2017, and further increased by 2.2% to RMB317.4 million as of June 30, 2018, primarily due to an increase of amounts due to related parties, which was in turn due to an increase in the number of international orders. See “—Discussion of Certain Key Balance Sheet Items—Prepayments and Other Receivables.” Our accruals and other payables increased by 19.5% from RMB245.9 million as of December 31, 2015 to RMB293.9 million as of December 31, 2016, primarily due to an increase amounts due to merchants as a result of the growth of our e-commerce business as well as an increase in other payables primarily as a result of the prepayment from a potential investor in 2016, partially offset by a decrease in amounts due to related parties of RMB69.0 million primarily as a result of investment proceeds received on behalf of an affiliate in 2015, which was paid to such affiliate in 2016.

Convertible Loans and Financial Instruments with Preferred Rights

Zhongming issued convertible loans in 2015. See “—Selected Statements of Profit or Loss Items—Fair Value Change of Financial Liabilities at Fair Value through Profit or Loss.” All of the outstanding convertible loans were converted into ordinary shares with certain preferred rights of Zhongming in September 2016. For further details, see Note 27 to the Accountants’ Report included in Appendix I to this Prospectus.

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LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

We have historically funded our cash requirements principally from capital contribution from shareholders and cash generated from our operations. During the Track Record Period, our principal uses of cash have been for procurement of our products, capital expenditures, and other recurring expenses to support the expansion of our operations. We manage our cash flow and working capital by closely monitoring and managing our operation and expansion plans. We also diligently review future cash flow requirements to ensure that we maintain sufficient working capital to support our business operations and expansion plans. We had cash and cash equivalents of RMB114.9 million, RMB133.2 million, RMB204.8 million and RMB1,411.3 million as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

Taking into account our cash and cash equivalents on hand, capital from shareholders, cash from operating activities and the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price at up to 10% below HK\$6.80, being the low end of the indicative Offer Price range), our Directors are of the opinion, and the Sponsors concur, that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this Prospectus. Our Directors also confirm that we had no material defaults in payment of trade and non-trade payables and bank borrowings nor any breach of financial covenants during the Track Record Period. We currently do not have any plans for material additional external financing other than the Global Offering.

The following table sets forth a summary of our cash flows for the periods presented:

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2015	2016	2017	2017	2018
<i>(RMB in thousands)</i>					
Net cash flows (used in)/generated from operating activities	(155,392)	(20,731)	169,677	56,365	(46,294)
Net cash flows used in investing activities.....	(642,985)	(2,698,689)	2,746,429	2,792,769	379,119
Net cash flows generated from/(used in) financing activities	902,753	2,737,701	(2,844,494)	(2,847,712)	846,336
Net increase in cash and cash equivalents	104,376	18,281	71,612	1,422	1,179,161
Cash and cash equivalents at the beginning of the year.....	10,514	114,890	133,171	133,171	204,783
Effect of exchange rate fluctuations on cash held	—	—	—	—	27,388
Cash and cash equivalents at the end of the year/period.....	114,890	133,171	204,783	134,593	1,411,332

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Net Cash (Used in) / Generated from Operating Activities

Cash generated from / (used in) operations primarily comprises our loss or profit before taxation adjusted by non-cash items and changes in working capital. Our cash inflows from operating activities primarily consist of cash received for products we sold or services we provided. Our cash outflows used in operating activities primarily consist of cash payments to our suppliers, employee salaries and benefits, delivery fees and operating lease.

Net cash flows used in operating activities amounted to RMB46.3 million for the first half of 2018, due to net cash used in operations of RMB36.7 million and income taxes paid of RMB9.6 million. Cash generated from operations before changes in working capital was RMB117.9 million, primarily due to fair value change of financial instruments with preferred rights of RMB2,297.3 million, partially offset by loss before taxation of RMB2,182.9 million. Changes in working capital contributed to a cash outflow of RMB154.6 million, primarily due to an increase in trade receivables of RMB160.3 million.

Net cash flows generated from operating activities amounted to RMB56.4 million for the first half of 2017, due to net cash generated from operations of RMB60.6 million, partially offset by income taxes paid of RMB4.2 million. Cash generated from operations before changes in working capital was RMB81.7 million, primarily due to fair value change of financial instruments with preferred rights of RMB477.1 million, partially offset by loss before taxation of RMB357.8 million. Changes in working capital contributed to a cash outflow of RMB21.1 million, primarily due to an increase in prepayments and other receivables of RMB23.7 million.

Net cash flows generated from operating activities amounted to RMB169.7 million for 2017, due to net cash generated from operations of RMB173.9 million, partially offset by income taxes paid of RMB4.2 million. Cash generated from operations before changes in working capital was RMB146.2 million, primarily due to fair value change of financial instruments with preferred rights of RMB1,049.9 million, partially offset by loss before taxation of RMB873.1 million. Changes in working capital contributed to a cash inflow of RMB27.7 million, primarily due to a decrease in accruals and other payables of RMB21.7 million.

Net cash flows used in operating activities amounted to RMB20.7 million for 2016, due to cash used in operations of RMB19.3 million and income taxes paid of RMB1.4 million. Cash generated from operations before changes in working capital was RMB6.9 million, primarily due to fair value change of financial instruments with preferred rights of RMB927.3 million and equity-settled share-based payment expenses of RMB51.6 million, partially offset by loss before taxation of RMB966.7 million. Changes in working capital contributed to a cash outflow of RMB26.2 million, primarily due to an increase in inventories of RMB30.1 million and an increase in trade receivables of RMB65.6 million, partially offset by an increase in accruals and other payables of RMB70.7 million.

Net cash flows used in operating activities amounted to RMB155.4 million for 2015, due to cash used in operations of RMB155.4 million. Cash used in operations before changes in working capital was RMB181.1 million, primarily due to loss before taxation of RMB299.6 million, partially offset by fair value change of financial instruments with preferred rights of RMB112.5 million. Changes in

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working capital contributed to a cash inflow of RMB25.7 million, primarily due to an increase in accruals and other payables of RMB111.9 million, partially offset by an increase in trade receivables of RMB43.0 million, an increase in prepayments and other receivables of RMB26.9 million and an increase in other current assets of RMB11.2 million.

Net Cash Generated from / (Used in) Investing Activities

For the first half of 2018, our net cash flows generated from investing activities was RMB379.1 million, which was mainly attributable to proceeds from sale of short-term investment of RMB2,061.0 million, partially offset by purchases of short-term investment of RMB1,536.6 million.

For the first half of 2017, our net cash flows generated from investing activities was RMB2,792.8 million, which was mainly attributable to proceeds from sale of short-term investment of RMB2,970.8 million, partially offset by purchases of short-term investment of RMB130.0 million.

For 2017, our net cash flows generated from investing activities was RMB2,746.4 million, which was mainly attributable to proceeds from sale of short-term investment of RMB3,222.0 million, partially offset by purchases of short-term investment of RMB487.5 million.

For 2016, our net cash flows used in investing activities was RMB2,698.7 million, which was mainly attributable to purchases of short-term investment of RMB3,040.0 million, partially offset by proceeds from sale of short-term investment of RMB149.8 million and proceeds from sale of structured deposit in other current assets of RMB308.2 million.

For 2015, our net cash flows used in investing activities was RMB643.0 million, which was mainly attributable to purchases of short-term investment of RMB300.0 million and purchases of structured deposit in other current assets of RMB300.0 million.

See “—Discussion of Certain Key Balance Sheet Items—Short-term Investment.”

Net Cash from / (Used in) Financing Activities

For the first half of 2018, our net cash flows from financing activities was RMB846.3 million, which primarily comprised proceeds from issue of financial instruments with preferred rights of RMB3,535.6 million and was offset by repayment to the holders of financial instruments with preferred rights in Zhongming of RMB2,718.5 million.

For the first half of 2017, our net cash flow used in financing activities was RMB2,847.7 million, which primarily comprised deemed distribution arising from reorganization of RMB2,836.3 million.

For 2017, our net cash flows used in financing activities was RMB2,844.5 million, which primarily comprised deemed distribution arising from reorganization of RMB2,836.3 million.

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For 2016, our net cash flows from financing activities was RMB2,737.7 million, which primarily comprised proceeds from issue of financial instruments with preferred rights of RMB2,342.3 million and capital injection from owners of companies comprising the Group of RMB573.3 million, partially offset by deemed distribution arising from reorganization of RMB154.9 million.

For 2015, our net cash flows from financing activities was RMB902.8 million, which primarily comprised proceeds from issue of convertible loans of RMB820.3 million.

KEY FINANCIAL RATIOS

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

	For the year ended / As of December 31,			For the six months ended / As of June 30,
	2015	2016	2017	2018
Total revenue growth (%).....	NM ⁽⁶⁾	154.9%	43.1%	12.6%
Gross margin ⁽¹⁾ (%)	54.6%	53.1%	63.2%	76.8%
Net margin ⁽²⁾ (%).....	(143.2%)	(183.3%)	(124.9%)	(533.7%)
Adjusted net margin ⁽³⁾ (%).....	(86.1%)	8.7%	19.0%	30.0%
Current ratio ⁽⁴⁾	3.7	11.7	3.3	6.2
Adjusted return on total assets ⁽⁵⁾ (%)	NM ⁽⁶⁾	1.8%	5.5%	7.3%

Notes:

- (1) Gross margin equals gross profit divided by revenue and multiplied by 100%.
- (2) Net margin equals profit/(loss) for the year divided by revenue and multiplied by 100%.
- (3) Adjusted net margin equals adjusted profit/(loss) for the year (see “—Non-IFRS Measure”) divided by revenue and multiplied by 100%.
- (4) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the respective dates and multiplied by 100%. Our current ratio was higher in 2016 as compared to 2015 and 2017, primarily due to more short-term investment. See “—Discussion of Certain Key Balance Sheet Items—Short-term Investment.”
- (5) Adjusted return on total assets is calculated based on our adjusted profit/(loss) for the year divided by the average balance of our total assets at the beginning and the end of the period and multiplied by 100%. We have not included a presentation of return on total asset because we incurred a loss for the year for each of the periods indicated.
- (6) “NM” means not meaningful.

CAPITAL EXPENDITURES

Our capital expenditures, consisting of payments for the purchase of property, plant and equipment, are incurred mainly for servers, computers and office equipment. We made capital expenditures of RMB17.4 million, RMB18.2 million, RMB13.5 million, RMB8.0 million and RMB5.2 million in 2015, 2016 and 2017 and the first half of 2017 and the first half of 2018, respectively.

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CONTRACTUAL OBLIGATIONS

Operating Lease Commitments

Our commitments primarily relate to the leases of warehouses, office buildings, machinery and office equipment under operating lease agreements. The lease terms under those agreements are between 1 and 5 years, and a majority of them are renewable at the end of the applicable lease period at the then market rate.

Our future aggregate minimum lease payments under non-cancellable operating leases are as follows.

	As of December 31,			As of
	2015	2016	2017	June 30,
				2018
	<i>(RMB in thousands)</i>			
Within 1 year.....	27,049	31,881	21,646	24,285
After 1 year but within 5 years.....	44,033	33,304	14,428	29,887
Total.....	<u>71,082</u>	<u>65,185</u>	<u>36,074</u>	<u>54,172</u>

Other than those shown above, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date and during the Track Record Period, we have not entered into any off-balance sheet arrangements.

INDEBTEDNESS

Borrowings

As of June 30, 2018, we did not have any borrowings. As of September 30, 2018, being the latest practicable date for our indebtedness statement, we did not have unutilized banking facilities or bank loans.

Convertible Loans and Financial Instruments with Preferred Rights

In 2015, we issued RMB820.3 million convertible loans to certain series A-1/A-2/A-3 investors, and these loans were converted to ordinary shares with preferred rights of Zhongming in September 2016. In 2016, we issued further financial instruments with preferred rights of RMB2,342.3 million to certain series B/C investors. The convertible loans and financial instruments with preferred rights were accounted for as financial liabilities at fair value through profit or loss. As of December 31,

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2015, 2016 and 2017 and June 30, 2018, the balance of convertible loans and financial instruments with preferred rights were RMB932.8 million, RMB4,202.4 million, RMB5,252.3 million and RMB8,708.4 million, respectively. See “—Selected Statements of Profit or Loss Items—Fair Value Change of Financial Liabilities at Fair Value through Profit or Loss.”

CONTINGENT LIABILITIES

As of December 31, 2015, 2016 and 2017 and June 30, 2018 and the Latest Practicable Date, we did not have any material contingent liabilities.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions. For more details about our related party transactions, see Note 31 to the Accountants’ Report included in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted according to the fair value determined by the market and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of insurance and financial risks, including credit risk, liquidity risk and currency risk.

Credit Risk

Our credit risk is primarily attributable to bank deposits, restricted deposits, trade receivables, prepayments and other receivables and short-term investment. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of bank deposits and restricted deposits and short-term investment, we only transact with state-owned or reputable banks in the PRC. There has been no recent history of default in relation to these banks.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing or within 60 to 120 days from the posting of the related ad. Normally, we do not obtain collateral from customers.

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Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2015, 2016 and 2017 and June 30, 2018, 47.1%, 43.1%, 49.0% and 44.2%, respectively, of our total trade receivables was due from our five largest customers. These larger customers were mainly 4A advertising agent companies with diversified end-customers.

As of the Latest Practicable Date, we did not provide any guarantees which would expose our Group to credit risk.

Liquidity Risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. Our policy is to regularly monitor our liquidity requirements and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

As of the Latest Practicable Date, we did not have any outstanding borrowings.

Currency Risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars. We manage our foreign exchange risk by (i) ensuring that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances and (ii) conduct sensitivity analysis.

We had exchange differences on translation of financial statements of overseas subsidiaries of RMB5,000 (loss), RMB447,000 (loss), RMB583,000 (gain), RMB856,000 (gain) and RMB312,090,000 (loss), respectively, for 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018. For the same periods, our net foreign exchange gain/(loss) amounted to RMB0.5 million (gain), RMB6.3 million (gain), RMB6.8 million (loss), RMB1.3 million (loss) and RMB6.1 million (loss), respectively. Currency translation differences recognized in other comprehensive income represent the translation differences of the Company and overseas subsidiaries whose functional currencies are local currencies. The functional currency of the Company is USD. As the major operations of the Group are within mainland China, the consolidated financial statements are presented in RMB. Foreign exchange gain/loss mainly represent the exchange gain/loss in relation to the amount due from/to a related company in Hong Kong.

We operate mainly in the PRC with most of the transactions settled in RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of ours that are denominated in currencies other than the functional currency of our operating entities.

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DIVIDEND

Our Board may recommend a distribution of dividend in the future, depending on, among other things, our profit for the year, the availability of dividends received from our subsidiaries, our capital and investment requirements and other factors our Board deems relevant. Under the applicable laws in the Cayman Islands, dividends may be paid only out of profits and share premium. As advised by our legal advisors as to the laws of the Cayman Islands, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability. In addition, a dividend can be paid provided that there is a profit on the current financial year under review, without the requirement to make good losses from a prior financial year. Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to the shareholders but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provide dividends may be declared and paid out of our profits, realized or unrealized, 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 authorized for this purpose in accordance with the Companies Law.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

Dividend distribution to our Shareholders is recognized as a liability in the period in which the dividends are approved by our Shareholders or Directors, where appropriate. During the Track Record Period, we did not declare or pay any dividend. We do not have a fixed dividend payout ratio.

DISTRIBUTABLE RESERVES

As of June 30, 2018, our Group did not have any distributable reserves.

LISTING EXPENSES

The total estimated listing expenses are approximately HK\$101.1 million (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), of which approximately HK\$50.8 million will be directly attributable to the issue of our Shares and capitalized, and the remaining HK\$50.3 million has been or will be expensed in 2017 and 2018.

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UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited *pro forma* statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of our Group as of June 30, 2018 as if the Global Offering had taken place on that date.

The unaudited *pro forma* statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our net tangible assets had the Global Offering been completed as of June 30, 2018 or at any future date.

It is prepared based on our consolidated net assets as of June 30, 2018 as set forth in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2018. Our unaudited *pro forma* statement of adjusted net tangible assets does not form part of the Accountants' Report in Appendix I to this Prospectus.

	Consolidated net tangible liabilities attributable to equity owners of the Company as at June 30, 2018 ⁽ⁱ⁾	Estimated net proceeds from the Global Offering ⁽ⁱⁱ⁾	Estimated impact upon the termination of the financial instruments with preferred rights ⁽ⁱⁱⁱ⁾	Unaudited <i>pro</i> <i>forma</i> adjusted net tangible assets attributable to equity owners of the Company	Unaudited <i>pro</i> <i>forma</i> adjusted net tangible assets attributable to equity owners of the Company per Share ^(iv)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$ ^(v)
Based on an Offer Price of HK\$6.12 per Offer Share after a Downward Offer Price Adjustment of 10% ..	(6,880,809)	1,277,974	8,708,423	3,105,588	1.86	2.10
Based on an Offer Price of HK\$6.80 per Offer Share ..	(6,880,809)	1,424,140	8,708,423	3,251,754	1.95	2.20
Based on an Offer Price of HK\$8.80 per Offer Share ..	(6,880,809)	1,854,041	8,708,423	3,681,655	2.21	2.50

Notes:

- (i) The consolidated net tangible liabilities attributable to equity owners of the Company as at June 30, 2018 is based on the consolidated net liabilities of our Group of RMB6,876.2 million as at June 30, 2018 after deduction of intangible assets of RMB4.6 million as shown in the Accountants' Report as set out in Appendix I in this Prospectus.
- (ii) The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK\$6.80 per Offer Share (being the minimum Offer Price) or HK\$8.80 per Offer Share (being the maximum Offer Price) and also based on an Offer Price of HK\$6.12 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the underwriting fees and related listing expenses payable by the Group and 250,323,000 Shares expected to be issued under the Global Offering, takes no account of any Shares that may be issued upon exercise of Over-allotment

FINANCIAL INFORMATION

Option. The estimated net proceeds from the Global Offering is converted into Renminbi at an exchange rate of HK\$1.1295 to RMB1 published by PBOC prevailing on November 2, 2018. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or *vice versa*, at that rate or at any other rate or at all.

- (iii) The carrying amount of financial instruments with preferred rights was RMB8,708.4 million as of June 30, 2018 (as set out in Note 27 of Appendix I in this prospectus). Upon the Listing, preferred rights will be removed and the financial instruments with preferred rights will be re-designated from liabilities to equity.
- (iv) The unaudited *pro forma* adjusted net tangible assets attributable to equity owners of the Company per Share is arrived at after adjustments as described in notes (ii) and (iii) and on the basis that 1,668,817,609 Shares were in issue assuming that the Global Offering completed on June 30, 2018 without taking into account any Shares which may be issued upon exercise of the Over-allotment Option.
- (v) The unaudited *pro forma* adjusted net tangible assets attributable to equity owners of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.1295 to RMB1 published by PBOC prevailing on November 2, 2018. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or *vice versa*, at that rate or at any other rate or at all.
- (vi) No adjustment has been made to the unaudited *pro forma* adjusted net tangible assets attributable to equity owners of the Company to reflect any trading results or other transactions of the Group subsequent to June 30, 2018.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2018, being the end date of the periods reported on in the Accountants' Report included in Appendix I to this Prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this Prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business—Business Strategies” in this document for a detailed description of our future plans.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We expect to receive from the Global Offering net proceeds (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$7.80 per Share, being the mid-point of the indicative range of the Offer Price of HK\$6.80 to HK\$8.80 per Share, and no exercise of the Over-allotment Option) of approximately HK\$1,851.4 million. We intend to use such net proceeds for the following purposes:

Major Categories	Percentage of Total Proceeds	Amount of Proceeds (HK\$ in millions)	Sub-categories	Specific Plans	Percentage of Total Proceeds	Timeframe
Business expansion	30%	555.4	i Acquiring users and improving user engagement	(a) To expand our user acquisition sources from diversified third-party platforms and extend user outreach via different third-party channels; and	5%	In the next 12 to 24 months
				(b) To improve user engagement by establishing a business intelligence team to analyze user activities to predict user demand, push relevant content and product recommendations to users and increase the accuracy of user rewards plans to improve the efficiency of our marketing efforts		
			ii Generating and acquiring more quality content	(a) To enter into exclusive cooperations with KOLs influential to generate more high-quality content;	10%	In the next 12 to 24 months
				(b) To launch new content modules and hire more editorial experts to cover subjects beyond M&C, such as fashion, cosmetics, food and cooking, travel and relationships, to improve our penetration rate of young women markets and the engagement of our existing users;		
				(c) To expand our content distribution channels by launching a third-party official <i>WeChat</i> account focusing on the parenting sector; and		
				(d) To enhance cooperation with famous institutions to generate exclusive content related to parenting and health		

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of Total Proceeds	Amount of Proceeds (HK\$ in millions)	Sub-categories	Specific Plans	Percentage of Total Proceeds	Timeframe
		iii	Recruiting and retaining competent personnel to support our expansion and brand marketing activities	<p>(a) To establish dedicated branches to support our business, including our collaboration with Alibaba, C2M and <i>WeTime</i>, in Hangzhou and Xiamen, consisting of both operational and technical staff;</p> <p>(b) To offer more attractive compensation packages to incentivize our employees; and</p> <p>(c) To support our global expansion strategy by establishing a branch in Southeast Asia, which we believe to be a good starting point of our global expansion where the birth rate is relatively high, user behaviors are similar to the China market and user needs are underserved</p>	10%	In the next 12 to 24 months
		iv	Further enhancing our brand awareness through marketing activities	<p>(a) To increase outdoor advertising such as billboards and bus body advertising in Beijing and Shanghai;</p> <p>(b) To cooperate with organizations to hold offline marketing activities to extend our user outreach and improve user engagement; and</p> <p>(c) To launch marketing and promotion activities on third-party websites to gain additional online user traffic</p>	5%	In the next 12 to 24 months

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of Total Proceeds	Amount of Proceeds (HK\$ in millions)	Sub-categories	Specific Plans	Percentage of Total Proceeds	Timeframe
Research and development	30%	555.4	i	<p>(a) Recruiting and retaining technical talent to develop and upgrade our mobile apps and websites with more functionalities by providing competitive salary and equity compensation and opening development centers in emerging technology hubs</p> <p>(b) To establish AI development centers in Beijing to develop relevant technologies to further improve our service quality and efficiency, including big data analytics, machine learning, voice recognition and cognitive assessment technologies, to introduce robot customer services and to improve accuracy in our user tag systems; and</p> <p>(c) To acquire relevant software and hardware and lease additional office facilities</p>	10%	In the next 18 to 24 months
			ii	<p>Maintaining and strengthening our IT infrastructure to accommodate our business expansion</p>	10%	In the next 12 to 36 months
			iii	<p>Further developing our technology stack, including data and storage management, computer vision, NLP and augmented reality, to enhance user experience</p>	10%	In the next 18 to 24 months

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of Total Proceeds	Amount of Proceeds (HK\$ in millions)	Sub-categories	Specific Plans	Percentage of Total Proceeds	Timeframe
Future investments, acquisitions strategic alliances	30%	555.4	i	Investing in companies with advanced technology and service solutions (such as AI and big data technology and service analysis), companies with complimentary business lines solutions, companies (such as education and family finance) or companies that have demonstrated adequate capabilities (such as leading business lines or online user traffic or leading third-party official account) companies that have demonstrated adequate business capabilities that we believe can generate synergy with our current business	25%	in the next 12 to 24 months
				To make investments in companies with advanced technology and service solutions (such as AI and big data technology and service analysis), companies with complimentary business lines solutions, companies (such as education and family finance) or companies that have demonstrated adequate capabilities (such as leading business lines or online user traffic or leading third-party official account) companies that have demonstrated adequate business capabilities that we believe can generate synergy with our current business		
Working capital	10%	185.1	ii	Establishing partnerships with quality local partners in overseas countries that we believe can help with our penetration into local markets and global expansion. As of the Latest Practicable Date, we had not identified any potential acquisition targets	5%	In the next 12 to 24 months
				working capital and other general corporate purposes		
Total	100%	1,851.4			10%	—

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the net proceeds will be adjusted on a *pro rata* basis in the event the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated range of Offer Price.

In the event that we receive net proceeds from the Global Offering higher or lower than the estimated amount stated above (including where we make a Downward Offer Price Adjustment to set the Offer Price at HK\$6.12 per Share upon making a full Downward Offer Price Adjustment), we will increase or decrease the intended use of the net proceeds for the above purposes on a *pro rata* basis.

If the Over-allotment Option is exercised in full, we expect to receive additional net proceeds of approximately HK\$284.1 million (equivalent to approximately RMB251.5 million), assuming an Offer Price of HK\$7.80 per Share, being the mid-point of the indicative range of the Offer Price of HK\$6.80 to HK\$8.80 per Share.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
UBS AG Hong Kong Branch
Haitong International Securities Company Limited
China Merchants Securities (HK) Co., Limited
Fosun Hani Securities Limited
AMTD Global Markets Limited
First Shanghai Securities Limited
Sinomax Securities Limited

UNDERWRITING AGREEMENT AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 25,032,500 Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this Prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this Prospectus and the related Application Forms, for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, and the Joint Sponsors, shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of

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terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the 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
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof) or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
- (v) any new laws, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any proceedings of any third party being threatened or instigated against any member of our Group, Mr. Wang, Golden Leaf Holdings Limited, Golden Leaf Cayman Holdings Limited or Wang Family Limited Partnership (collectively, the “**Other Warrantors**”); or

UNDERWRITING

- (ix) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group, any Director or any director of any subsidiary of our Company, or the Other Warrantors; or
- (x) non-compliance of this Prospectus (or any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xi) the issue or requirement to issue by our Company of any supplement or amendment to this Prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior consent of the Joint Global Coordinators; or
- (xii) an order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xiii) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xiv) the chairman or chief executive officer of our Company vacating his office; or
- (xv) a contravention by any member of our Group of the Listing Rules or applicable laws;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators and the Joint Sponsors (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial position or condition, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

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- (b) there has come to the notice of the Joint Global Coordinators and the Joint Sponsors:
- (i) a prohibition by an authority on our Company or the Other Warrantors for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including the Option Shares) pursuant to the terms of the Global Offering; or
 - (ii) that any statement contained in any of this Prospectus, the Application Forms and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (collectively, the “**Offer Related Documents**”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (iii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or
 - (iv) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of any of our Company and the Other Warrantors pursuant to the Hong Kong Underwriting Agreement; or
 - (vi) any adverse change, or any development involving a prospective adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, financial position or condition, or performance of any member of our Group; or
 - (vii) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, warranties, agreements and undertakings of our Company and the Other Warrantors as set out in the Hong Kong Underwriting Agreement; or
 - (viii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

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- (ix) our Company withdraws this Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (x) any expert (other than the Joint Sponsors), whose consent is required for the issue of this Prospectus and Application Forms with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent to the issue of any of this Prospectus and Application Forms with the inclusion of its reports, letters 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.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that (except pursuant to the Global Offering and the Over-allotment Option) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six-months period after the Listing Date, the Company will not, without prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Company (including warrants or other convertible securities and whether or not such allotment or issuance of shares or securities will be completed without six months from the Listing Date), whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by Mr. Wang

Pursuant to Rule 10.07(1) of the Listing Rules, Mr. Wang (who is and will be interested in approximately 35.09% and 29.82% of the total issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, respectively, through Wang Family Limited Partnership and pursuant to the voting proxy agreements entered into between each of Tenzing Holdings 2011, Ltd., Jumei International, and Bin Jiang (Hong Kong) Limited with Mr. Wang), has irrevocably and unconditionally undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering and the Over-allotment Option, he shall not and shall procure that the registered holders of the Shares controlled by him (if applicable) shall not in the period commencing on the date by reference to which disclosure of his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favor of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of those securities of our Company in respect of which he is shown by this prospectus to be the beneficial owner.

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We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by Mr. Wang and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT AND DEEDS OF LOCK-UP UNDERTAKINGS

Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option, at any time), during the period after the date of the Hong Kong Underwriting Agreement and up to and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”), we have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, hedge, 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 contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the share capital or any other equity 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 subscribe for or purchase, any share capital or other equity securities of our Company, or any interest in any of the foregoing), or deposit any share capital or other securities convertible into equity securities of our Company, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or other equity 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 share capital or other equity securities of our Company, or any interest in any of the foregoing; or
- (c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a), (b) or (c) above,

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in each case, whether any of the transactions specified in sub-paragraph (a), (b), or (c) above is to be settled by delivery of share capital or such other equity securities of the Company or share capital or other equity securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such share capital or other securities convertible into equity securities will be completed within the First Six-Month Period). Our Company further agrees that, at any time during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions described in sub-paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of our Company.

Undertakings by Mr. Wang, Golden Leaf Holdings Limited, Golden Leaf Cayman Holdings Limited and Wang Family Limited Partnership

Pursuant to the Hong Kong Underwriting Agreement, each of Mr. Wang, Golden Leaf Holdings Limited, Golden Leaf Cayman Holdings Limited and Wang Family Limited Partnership has jointly and severally undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Capitalization Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, he or it will not, during the First Six-Month Period, directly or indirectly:

- (a) offer, pledge, change, sell, contract to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any such transaction described in sub-paragraph (a), (b), (c) or (d) above is to be settled by delivery of such capital or securities, in cash or otherwise.

UNDERWRITING

Undertakings by other existing Shareholders

Other than the lock-up undertaking by Mr. Wang, Golden Leaf Holdings Limited, Golden Leaf Cayman Holdings Limited and Wang Family Limited Partnership of approximately 22.18% of the issued share capital of the Company upon Listing (assuming the Over-allotment Option is not exercised), majority of our other existing Shareholders (including Startree (BVI) Limited, TAL Education Group and Taobao China), which will in aggregate hold approximately 60.66% of the issued share capital of the Company upon Listing (assuming the Over-allotment Option is not exercised) (the “**Covenantors**”), have entered into a deed of lock-up undertaking (the “**Lock-up Deed**”) in favor of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters. Pursuant to the deeds of lock-up undertaking entered into by each of the Covenantors, each of such Covenantor has undertaken to the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, during the period commencing on the date of the Lock-up Deed and ending on, and including, the First Six-Month Period, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules, it will not:

- (a) offer, pledge, charge, sell, contract to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company) (the “**Lock-up Securities**”); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Lock-up Securities; or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

For the avoidance of doubt, any Shares acquired by the existing Shareholders mentioned above in the open market after the commencement of dealings in the Shares on the Listing Date will not be subject to the above lock-up undertaking.

UNDERWRITING

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering.

Under the International Underwriting Agreement, it is expected that we will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, at any time within 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 37,548,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations, if any, in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

UNDERWRITING COMMISSIONS AND LISTING EXPENSES

The Underwriters will receive an underwriting commission per Offer Share of 2.5% of the Offer Price from our Company (including Offer Shares sold pursuant to the Over-allotment Option). Our Company may pay the Underwriters an incentive fee up to 0.5% of the Offer Price per Offer Share to be awarded at the Company's discretion. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering, and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate underwriting commissions and fees (excluding the incentive fees), together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$101.1 million in aggregate (based on an Offer Price of HK\$7.80 per Share, being the mid-point of the Offer Price range stated in this Prospectus and the assumption that the Over-allotment Option is not exercised) and are to be borne by us.

JOINT SPONSORS' FEE

An amount of US\$300,000 is payable by the Company as sponsor fee to each of the three Joint Sponsors, amounting to an aggregate sponsor fee of US\$900,000.

UNDERWRITING

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that each of the underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “**Syndicate Members**”, may individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transaction relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving directly or indirectly, buying and selling the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering—Stabilization” in this Prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares’ share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITING

UNDERWRITERS' INTEREST IN OUR GROUP

Except as disclosed in this Prospectus and the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

JOINT SPONSORS' INDEPENDENCE

Each of Morgan Stanley Asia Limited, Haitong International Capital Limited and China Merchants Securities (HK) Co., Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 25,032,500 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “—The Hong Kong Public Offering”; and
- (b) the International Offering of 225,290,500 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, and in the United States only to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act, as described below in “—the International Offering”.

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 37,548,000 additional Shares, representing approximately 15.0% of the initial number of Offer Shares under the Global Offering, at the Offer Price to cover over-allocations, if any, in the International Offering.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 250,323,000 Offer Shares in the Global Offering will represent approximately 15.0% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.9% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, Application Forms, application or subscription monies, or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

We are initially offering 25,032,500 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set forth below in “—Conditions of the Global Offering.”

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided into two pools:

Pool A: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee); and

Pool B: the Offer Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK\$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 12,516,000 Hong Kong Offer Shares (being approximately 50% of the 25,032,500 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if the Offer Shares under the International

STRUCTURE OF THE GLOBAL OFFERING

Offering are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 75,097,000 Offer Shares (in the case of (i)), 100,129,500 Offer Shares (in the case of (ii)) and 125,161,500 Offer Shares (in the case of (iii)), representing approximately 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Joint Global Coordinators may, at their discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 50,065,000 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the total number of Offer Shares initially available under the Global Offering in accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, and the final price shall be fixed at the low end of the Offer Price range (that is, HK\$6.80 per Offer Share) stated in this Prospectus or the downward adjusted final Offer Price if a Downward Offer Price Adjustment is made in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange..

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest

STRUCTURE OF THE GLOBAL OFFERING

for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$8.80 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “—Pricing and Allocation” below, is less than the maximum price of HK\$8.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see “How to Apply for Hong Kong Offer Shares”.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 225,290,500 Offer Shares, representing approximately 90.0% of the Offer Shares under the Global Offering and approximately 13.50% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares under the International Offering on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “—The Hong Kong Public Offering—Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time during the 30-day period from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 15% of the total number of the Offer Shares initially available under the Global Offering at the Offer Price under the International Offering to, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 2.20% of our issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and

STRUCTURE OF THE GLOBAL OFFERING

may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Thursday, December 20, 2018, being the 30th day after the last day of closing of the application lists under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares. Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

STRUCTURE OF THE GLOBAL OFFERING

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Arrangement

To facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 37,548,000 Shares, representing approximately 15% of the Offer Shares (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), from Wang Family Limited Partnership, pursuant to the Stock Borrowing Agreement which is expected to be entered into between the Stabilizing Manager and Wang Family Limited Partnership. Such stock borrowing arrangement under the Stock Borrowing Agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

Such stock borrowing arrangement is fully described in this Prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option. The same number of Offer Shares so borrowed must be returned to Wang Family Limited Partnership or its nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option having been issued and allotted by the Company, or (c) such earlier time as the Stabilizing Manager and Wang Family Limited Partnership may agree in writing. No payment will be made to Wang Family Limited Partnership by the Stabilizing Manager or its agent in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, November 20, 2018 (Hong Kong time), and in any event, no later than Friday, November 23, 2018 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this Prospectus (subject to a Downward Offer Price Adjustment).

The Offer Price will not be more than HK\$8.80 and is expected to be not less than HK\$6.80, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum offer price of HK\$8.80 per Offer Share, plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

STRUCTURE OF THE GLOBAL OFFERING

Announcement of Offer Price Reduction

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date. In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Company and the Stock Exchange at **ir.babytree.com** and **www.hkexnews.hk** an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Monday, November 26, 2018. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$8.80, we will refund the respective difference, including the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Offer Shares”.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Hong Kong Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this Prospectus (or the downward adjusted Offer Price if a Downward Offer Price Adjustment is made) prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of the reduction and posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on our website (**ir.babytree.com**) (the contents of the website do not form a part of this Prospectus). Our Company will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors

STRUCTURE OF THE GLOBAL OFFERING

who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement or the offering statistics, and the future plans and use of proceeds as currently set out in the “Summary” section in this prospectus, and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

Irrespective of whether a Downward Offer Price Adjustment is made, the Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/ passport/ Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section “How to Apply for Hong Kong Offer Shares—14. Dispatch/ Collection of Share Certificates and Refund Monies”.

UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section “Underwriting”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

- the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued by us pursuant to the exercise of the Over-allotment Option;
- the Offer Price being duly determined;

STRUCTURE OF THE GLOBAL OFFERING

- the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Friday, November 23, 2018.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Friday, November 23, 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and on our website (ir.babytree.com) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section “How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, November 27, 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, November 27, 2018.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares is 1761.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website www.eipo.com.hk of the White Form eIPO service; or
- give electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States, and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a legal or natural person of China (except qualified domestic institutional investors).

If you apply online through the White Form eIPO service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the White Form eIPO service for the Hong Kong Offer Shares.

We, the Joint Global Coordinators or the designated White Form eIPO Service Provider (where applicable), or our or their respective agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person or a core connected person (as respectively defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering;
- an associate or a close associate (as respectively defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through White Form eIPO service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours between 9:00 a.m. on Thursday, November 15, 2018 until 12:00 noon on Tuesday, November 20, 2018 from:

- any of the following offices of the Joint Global Coordinators:

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

UBS AG Hong Kong Branch

52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Haitong International Securities Company Limited

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

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
Central
Hong Kong

- any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island.....	Bank of China Tower Branch	1 Garden Road, Hong Kong
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

	Branch name	Address
Kowloon	Telford Plaza Branch	Shop Unit P2-P7, Telford Plaza, No.33 Wai Yip Street, Kowloon Bay, Kowloon
	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon
New Territories	City One Sha Tin Branch	Shop Nos.24-25, G/F, Fortune City One Plus, No.2 Ngan Shing Street, Sha Tin, New Territories
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories
	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a copy of this Prospectus during normal business hours from 9:00 a.m. on Thursday, November 15, 2018 until 12:00 noon on Tuesday, November 20, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to BANK OF CHINA (HONG KONG) NOMINEES LIMITED — BABYTREE GROUP PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, November 15, 2018—9:00 a.m. to 5:00 p.m.

Friday, November 16, 2018—9:00 a.m. to 5:00 p.m.

Saturday, November 17, 2018—9:00 a.m. to 1:00 p.m.

Monday, November 19, 2018—9:00 a.m. to 5:00 p.m.

Tuesday, November 20, 2018—9:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, November 20, 2018, the last application day or such later time as described in “—10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the White Form eIPO service, among other things, you:

- undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form(s) and agree to be bound by them;
- confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and (c) the purchaser is not an “affiliate” (within the meaning of Regulation S) of our Company or a person acting on the behalf of our Company or an affiliate of the Company;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company’s register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to deposit share certificate(s) into CCASS and to send any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “—2. Who Can Apply” in this section, may apply through the White Form eIPO service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the White Form eIPO service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the White Form eIPO Service Provider at www.eipo.com.hk from 9:00 a.m. on Thursday, November 15, 2018 until 11:30 a.m. on Tuesday, November 20, 2018 (24 hours daily, except on the last application day) and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, November 20, 2018 or such later time under “—10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of White Form eIPO, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the White Form eIPO service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the White Form eIPO service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the White Form eIPO service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the designated White Form eIPO Service Provider will contribute HK\$2 for each “BABYTREE GROUP” White Form eIPO application submitted via the website www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- authorize the Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum number of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, November 15, 2018—9:00 a.m. to 8:30 p.m.

Friday, November 16, 2018—8:00 a.m. to 8:30 p.m.

Saturday, November 17, 2018—8:00 a.m. to 1:00 p.m.

Monday, November 19, 2018—8:00 a.m. to 8:30 p.m.

Tuesday, November 20, 2018 — 8:00 a.m. to 12:00 noon

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, November 15, 2018 until 12:00 noon on Tuesday, November 20, 2018 (24 hours daily, except on Tuesday, November 20, 2018 the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, November 20, 2018, the last application day or such later time as described in “—10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the White Form eIPO service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the White Form eIPO service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, November 20, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the White Form eIPO service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the White Form eIPO service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering —Pricing and Allocation”.

HOW TO APPLY FOR HONG KONG OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, November 20, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, November 20, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, November 26, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company’s website at ir.babytree.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at ir.babytree.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, November 26, 2018;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, November 26, 2018 to 12:00 midnight on Sunday, December 2, 2018;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, November 26, 2018 to Thursday, November 29, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, November 26, 2018 to Wednesday, November 28, 2018 at all the designated branches of the receiving bank.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the Company accepts your offer to subscribe (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details, see “Structure of the Global Offering” in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the White Form eIPO service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$8.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global

HOW TO APPLY FOR HONG KONG OFFER SHARES

Offering—Conditions of the Global Offering” in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, November 26, 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, November 26, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, November 27, 2018 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 26, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, November 26, 2018, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, November 26, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, November 26, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "—11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 26, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the White Form eIPO Service*

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 26, 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, November 26, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, November 26, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "—11. Publication of Results" above on Monday, November 26, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 26, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, November 26, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, November 26, 2018.

15. COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence from 9:00 a.m. on Tuesday, November 27, 2018. The Share will be traded in board lots of 500 each. The stock code of the Shares is 1761.

HOW TO APPLY FOR HONG KONG OFFER SHARES

16. ADMISSION OF THE SHARES INTO CCASS

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

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I - 1 to I - 87, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BABYTREE GROUP, MORGAN STANLEY ASIA LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED

Introduction

We report on the historical financial information of BabyTree Group (the "Company") and its subsidiaries (together, the "Group") set out on pages I - 5 to I - 87, which comprises the consolidated statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and June 30, 2018, the statement of financial position of the Company as at June 30, 2018 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I - 5 to I - 87 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 15, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in

Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Group’s financial position as at December 31, 2015, 2016 and 2017 and June 30, 2018 and the Company’s financial position as at June 30, 2018 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the six months ended June 30, 2017 and other explanatory information (the “Stub Period Corresponding Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly,

we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I - 4 have been made.

Dividends

We refer to Note 28(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared by the Company since its incorporation.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
November 15, 2018

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Consolidated statements of profit or loss

	Note	Years ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>	
Revenue	4	200,003	509,732	729,624	361,770	407,523
Cost of revenue.....		(90,791)	(239,282)	(268,526)	(143,142)	(94,578)
Gross profit		109,212	270,450	461,098	218,628	312,945
Other revenue	5(a)	2,517	16,656	54,331	42,339	8,292
Other net income/(loss).....	5(b)	371	5,470	(10,742)	(1,183)	(5,455)
Selling and marketing expenses		(193,353)	(139,884)	(145,745)	(69,263)	(84,015)
General and administration expenses		(49,709)	(122,422)	(108,013)	(39,439)	(66,038)
Research and development expenses		(56,952)	(72,811)	(78,481)	(36,690)	(53,018)
(Loss)/profit from operations		(187,914)	(42,541)	172,448	114,392	112,711
Net finance income	6(a)	853	4,081	6,787	6,295	2,444
Fair value change of financial liabilities at fair value through profit or loss.....		(112,516)	(927,335)	(1,049,907)	(477,148)	(2,297,296)
Share of loss of associates	14	—	(949)	(2,426)	(1,344)	(762)
Loss before income tax	6	(299,577)	(966,744)	(873,098)	(357,805)	(2,182,903)
Income tax credit/(expense)	7	13,157	32,205	(38,040)	(30,184)	7,902
Loss for the year/period		<u>(286,420)</u>	<u>(934,539)</u>	<u>(911,138)</u>	<u>(387,989)</u>	<u>(2,175,001)</u>
Attributable to:						
Equity owners of the Company		<u>(286,420)</u>	<u>(934,539)</u>	<u>(911,138)</u>	<u>(387,989)</u>	<u>(2,175,001)</u>
Loss for the year/period		<u>(286,420)</u>	<u>(934,539)</u>	<u>(911,138)</u>	<u>(387,989)</u>	<u>(2,175,001)</u>
Loss per share	11					
Basic and diluted (RMB)		NA	NA	NA	NA	NA

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2(b).

The accompanying notes form part of these Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

	Note	Years ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>	
Loss for the year/period.....		(286,420)	(934,539)	(911,138)	(387,989)	(2,175,001)
Other comprehensive income for the year/period (after tax and reclassification adjustments)						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of financial statements of overseas subsidiaries.....		(5)	(447)	583	856	(312,090)
Available-for-sale financial assets: net movement in the fair value reserve (recycling)*		4,178	7,613	(8,644)	(10,109)	—
Other comprehensive income for the year/period.....	10	4,173	7,166	(8,061)	(9,253)	(312,090)
Total comprehensive income for the year/period.....		<u>(282,247)</u>	<u>(927,373)</u>	<u>(919,199)</u>	<u>(397,242)</u>	<u>(2,487,091)</u>

* This amount arose under the accounting policies applicable prior to January 1, 2018. As part of the opening balance adjustments as at January 1, 2018 the balance of this reserve has been reclassified to retained earnings. See note 2(b)(i).

The accompanying notes form part of these Historical Financial Information.

Consolidated statements of financial position

		As at December 31,			As at June 30,
	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment....	12	19,616	26,456	27,160	26,309
Intangible assets	13	2,848	4,016	5,638	4,603
Interests in associates	14	—	12,051	13,625	12,863
Equity securities	15	4,000	4,000	7,323	9,236
Deferred tax assets.....	25(b)	17,855	54,309	24,881	39,663
		<u>44,319</u>	<u>100,832</u>	<u>78,627</u>	<u>92,674</u>
Current assets					
Other current assets	16	311,213	16,885	8,691	111,722
Inventories	17	11,570	40,282	36,297	27,651
Trade receivables	18	95,035	156,122	149,001	305,475
Prepayments and other receivables.....	19	130,515	154,296	202,404	220,967
Short-term investment	20	305,571	3,214,334	517,556	—
Restricted deposit	21	—	72,850	—	—
Cash and cash equivalents.....	21	114,890	133,171	204,783	1,411,332
		<u>968,794</u>	<u>3,787,940</u>	<u>1,118,732</u>	<u>2,077,147</u>
Current liabilities					
Trade payables	22	15,043	24,390	21,549	14,393
Accruals and other payables.....	23	245,934	293,851	310,530	317,423
Current taxation	25(a)	565	4,195	7,828	5,727
		<u>261,542</u>	<u>322,436</u>	<u>339,907</u>	<u>337,543</u>
Net current assets		<u>707,252</u>	<u>3,465,504</u>	<u>778,825</u>	<u>1,739,604</u>
Total assets less current liabilities		<u>751,571</u>	<u>3,566,336</u>	<u>857,452</u>	<u>1,832,278</u>
Non-current liabilities					
Convertible loans	26	932,800	—	—	—
Financial instruments with preferred rights	27	—	4,202,425	5,252,332	8,708,423
Deferred tax liabilities	25(b)	1,442	3,992	740	61
		<u>934,242</u>	<u>4,206,417</u>	<u>5,253,072</u>	<u>8,708,484</u>
Net liabilities		<u>182,671</u>	<u>640,081</u>	<u>4,395,620</u>	<u>6,876,206</u>
Equity					
Share capital	28	—	—	—	12
Reserves	28	<u>(182,671)</u>	<u>(640,081)</u>	<u>(4,395,620)</u>	<u>(6,876,218)</u>
Equity attributable to the equity owners of the Company		<u>(182,671)</u>	<u>(640,081)</u>	<u>(4,395,620)</u>	<u>(6,876,206)</u>

The accompanying notes form part of these Historical Financial Information.

Statements of financial position of the Company

	Note	As at June 30, 2018 <i>RMB'000</i>
Non-current asset		
Investment in subsidiary	32(a)	2,773,485
		<u>2,773,485</u>
Current assets		
Prepayments and other receivables		27,030
Cash and cash equivalents	32(b)	862,631
		<u>889,661</u>
Net current assets		<u>889,661</u>
Total assets less current liabilities		<u>3,663,146</u>
Non-current liability		
Financial instruments with preferred rights	27	8,708,423
		<u>8,708,423</u>
Net liabilities		<u>5,045,277</u>
Equity		
Share capital	28	12
Reserves	28(e)	(5,045,289)
Total equity		<u>(5,045,277)</u>

The accompanying notes form part of these Historical Financial Information.

Consolidated statements of changes in equity

	Note	Share capital RMB'000	Capital reserves RMB'000	Translation reserves RMB'000	Fair value reserves RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at January 1, 2015	28(b)(i)	—	104,650	—	—	(19,004)	85,646
Changes in equity for 2015:							
Loss for the year		—	—	—	—	(286,420)	(286,420)
Other comprehensive income		—	—	(5)	4,178	—	4,173
Total comprehensive income		—	—	(5)	4,178	(286,420)	(282,247)
Capital injection from owners of companies comprising the Group	28(b)(ii)	—	12,238	—	—	—	12,238
Share-based compensation expenses		—	1,692	—	—	—	1,692
Balance at December 31, 2015 and January 1, 2016		—	118,580	(5)	4,178	(305,424)	(182,671)
Changes in equity for 2016:							
Loss for the year		—	—	—	—	(934,539)	(934,539)
Other comprehensive income		—	—	(447)	7,613	—	7,166
Total comprehensive income		—	—	(447)	7,613	(934,539)	(927,373)
Capital injection from owners of companies comprising the Group	28(b)(iii)	—	573,267	—	—	—	573,267
Deemed distribution arising from reorganization	28(b)(iv)	—	(154,870)	—	—	—	(154,870)
Share-based compensation expenses		—	51,566	—	—	—	51,566
Balance at December 31, 2016 and January 1, 2017		—	588,543	(452)	11,791	(1,239,963)	(640,081)
Changes in equity for 2017:							
Loss for the year		—	—	—	—	(911,138)	(911,138)
Other comprehensive income		—	—	583	(8,644)	—	(8,061)
Total comprehensive income		—	—	583	(8,644)	(911,138)	(919,199)
Deemed distribution arising from reorganization	28(b)(iv)	—	(2,836,340)	—	—	—	(2,836,340)
Balance at December 31, 2017		—	(2,247,797)	131	3,147	(2,151,101)	(4,395,620)

Note	Share capital RMB'000	Capital reserves RMB'000	Translation reserves RMB'000	Fair value reserves RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at December 31, 2017	—	(2,247,797)	131	3,147	(2,151,101)	(4,395,620)
Impact on initial application of IFRS9	—	—	—	(3,147)	3,147	—
Balance at January 1, 2018	—	(2,247,797)	131	—	(2,147,954)	(4,395,620)
Changes in equity for 2018:						
Loss for the period	—	—	—	—	(2,175,001)	(2,175,001)
Other comprehensive income	—	—	(312,090)	—	—	(312,090)
Total comprehensive income	—	—	(312,090)	—	(2,175,001)	(2,487,091)
Capital injection from owners of the Company	12	—	—	—	—	12
Capital injection from owners of the Companies comprising the Group.....	—	6,493	—	—	—	6,493
Balance at June 30, 2018	12	(2,241,304)	(311,959)	—	(4,322,955)	(6,876,206)
Balance at January 1, 2017	—	588,543	(452)	11,791	(1,239,963)	(640,081)
Changes in equity for 2017:						
Loss for the period (unaudited)	—	—	—	—	(387,989)	(387,989)
Other comprehensive income (unaudited)	—	—	856	(10,109)	—	(9,253)
Total comprehensive income (unaudited)	—	—	856	(10,109)	(387,989)	(397,242)
Deemed distribution arising from reorganization (unaudited)	—	(2,836,340)	—	—	—	(2,836,340)
Balance at June 30, 2017 (unaudited)	—	(2,247,797)	404	1,682	(1,627,952)	(3,873,663)

The accompanying notes form part of these Historical Financial Information.

Consolidated cash flow statements

		Years ended December 31,			Six months ended June 30,	
	Note	2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash flows from operating activities						
Net cash (used in)/generated from operations	21(b)	(155,392)	(19,305)	173,897	60,605	(36,694)
Income taxes paid	25(a)	—	(1,426)	(4,220)	(4,240)	(9,600)
Net cash (used in)/generated from operating activities.....		(155,392)	(20,731)	169,677	56,365	(46,294)
Cash flows from investing activities						
Interest received		1,188	4,081	6,787	6,295	2,462
Proceeds from sale of property, plant and equipment		36	41	18	—	—
Payments for the purchase of property, plant and equipment.....		(17,378)	(18,208)	(13,533)	(7,978)	(5,241)
Proceeds from sale of short-term investment		—	149,806	3,221,998	2,970,814	2,060,999
Purchases of short-term investment		(300,000)	(3,040,000)	(487,470)	(130,000)	(1,536,560)
Acquisition of equity securities		(4,000)	—	(3,927)	—	(1,900)
Acquisition of associates.....		—	(13,000)	(4,000)	(4,000)	—
Net purchases of structure deposits in other current assets.....		(300,000)	—	—	(103,000)	(110,000)
Net proceeds from sale of structure deposits in other current assets.....		2,517	308,238	2,177	1,307	815
(Payment)/withdraw of restricted deposit		—	(72,850)	72,850	72,850	—
Amount to related parties.....		(25,348)	(16,797)	(48,471)	(13,519)	(31,456)
Net cash (used in)/generated from investing activities.....		(642,985)	(2,698,689)	2,746,429	2,792,769	379,119

The accompanying notes form part of these Historical Financial Information.

Consolidated cash flow statements

	Note	Years ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash flows from financing activities						
Proceeds from issue of convertible loans	21(c)	820,284	—	—	—	—
Capital injection from owners of the Company		—	—	—	—	12
Proceeds from issue of financial instruments with preferred rights	21(c)	—	2,342,290	—	—	3,535,584
Repayment to the holders of financial instruments with preferred rights in Zhongming	21(c)	—	—	—	—	(2,718,541)
Capital injection from owners of companies comprising the Group	28(b)	12,238	573,267	—	—	6,493
Proceeds from interest-bearing borrowings	21(c)	10,000	—	—	—	49,000
Repayment of interest-bearing borrowings	21(c)	(10,335)	—	—	—	(49,018)
Deemed distribution arising from reorganization	28(b)	—	(154,870)	(2,836,340)	(2,836,340)	—
Proceeds from/(payment for) investment deposit of potential investor	21(c)	—	46,000	(46,000)	(46,000)	—
Amounts from/(repayment to) related parties	21(c)	70,566	(68,986)	37,846	34,628	22,806
Net cash generated from/ (used in) financing activities		<u>902,753</u>	<u>2,737,701</u>	<u>(2,844,494)</u>	<u>(2,847,712)</u>	<u>846,336</u>
Net increase in cash and cash equivalents		104,376	18,281	71,612	1,422	1,179,161
Cash and cash equivalents at the beginning of the year/period		10,514	114,890	133,171	133,171	204,783
Effect of exchange rate fluctuations on cash held		—	—	—	—	27,388
Cash and cash equivalents at the end of the year/period ..	21(a)	<u>114,890</u>	<u>133,171</u>	<u>204,783</u>	<u>134,593</u>	<u>1,411,332</u>

The accompanying notes form part of these Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 Basis of preparation and presentation of Historical Financial Information**

BabyTree Group (the “Company”) was incorporated in Cayman Islands on February 9, 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company has not carried on any business since the date of its incorporation save for the Group reorganization below. The Company and its subsidiaries (together, the “Group”) are principally engaged in the advertising, e-commerce and content monetization (the “Listing Businesses”).

Reorganization

From the beginning of the Track Record Period, the Listing Businesses were operated through BabyTree (Beijing) Information and Technology Co., Ltd. (“BabyTree Information”), Meitun Meiwu (Shanghai) Information Technology Co., Ltd. (“Meitun Meiwu”), Haitun (Shanghai) International Trading Co., Ltd. (“Haitun International”), Beijing Zhongming Century Science and Technology Co., Ltd. (“Zhongming”), Meitun Mama (Shanghai) E-Commerce Co., Ltd. (“Meitun Mama”) and their subsidiaries (collectively, the “Operating Entities”). All of the Operating Entities were effectively controlled by BabyTree Inc. through direct equity holding and contractual arrangements and were ultimately owned by Mr. Wang Huainan (“Mr. Wang”) and other shareholders.

During 2015 and 2016, based on then strategic plan to pursue other financing opportunities in the PRC, the Group underwent a series of corporate restructuring (“Earlier Corporate Restructuring”) involving the Operating Entities as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus. The Earlier Corporate Restructuring principally involved the reorganization of the Operating Entities by transferring to Zhongming the entire equity interest in other Operating Entities and unwinding the previous contractual arrangements. Upon the completion of the Earlier Corporate Restructuring, Zhongming became the holding company of the Listing Businesses with no changes in the business of the Listing Businesses. As all of the Operating Entities were under the common control of BabyTree Inc. and the control was not transitory, the Earlier Corporate Restructuring is considered to be a restructuring of entities under common control in accordance with the principles of merger accounting. Accordingly, the financial information of the Listing Businesses has been prepared on a consolidated basis as if the restructuring had been completed at the beginning of the Track Record Period, and any amount of the considerations exceed the net book value were recorded as capital reserve of the Group.

To rationalize the corporate structure in preparation for the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a Pre-IPO reorganization (the “Reorganization”), as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus.

The Listing Businesses included certain businesses operated by Zhongming, say provision of Internet content services where foreign investment is subject to restrictions under PRC laws and regulations (“Restricted Businesses”), and the rest of the Listing Businesses are unrestricted to foreign investment under PRC laws and regulations (“Unrestricted Businesses”).

As part of the Reorganization, the Unrestricted Businesses of Zhongming were transferred to BabyTree Information, one of the wholly owned subsidiaries of the Group on May 23, 2018. For the Restricted Businesses, BabyTree Information entered into a series of contractual arrangements (the “Contractual Arrangements”) with Zhongming and its registered owners to control the Restricted Businesses.

Upon completion of the Reorganization and as of the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company names	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Held by the Company	Held by the subsidiary	Principal activities	Name of statutory auditor
Directly held						
BabyTree Holdings Limited	BVI February 9, 2018	1 ordinary share	100%	—	Investing holding company	NA
Indirectly held						
BabyTree Group Hong Kong Limited	Hong Kong March 5, 2018	1 ordinary share HK\$1	—	100%	Investing holding company	NA
BabyTree (Beijing) Information and Technology Co., Ltd. (寶寶樹 (北京) 信息技術有限公司)....	Beijing, PRC August 8, 2007	RMB 97,772,300	—	100%	Technology information service	Beijing Dongcai Accounting Firm (General Partnership) (北京東財會計師事務所(普通合夥))
Meitun Mama (Shanghai) E-Commerce Co., Ltd. (美團媽媽 (上海) 電子商務有限公司)	Shanghai, PRC October 11, 2014	RMB 5,000,000	—	100%	E-commerce	Shanghai Haixia Certified Public Accountants Co., Ltd. (上海海峽會計師事務所有限公司)
Ningbo Meitun Mama E-Commerce Co., Ltd. (寧波美團媽媽電子商務有限公司)	Ningbo, PRC September 23, 2015	RMB 5,000,000	—	100%	E-commerce	Shanghai Haixia Certified Public Accountants Co., Ltd. (上海海峽會計師事務所有限公司)

APPENDIX I

ACCOUNTANTS' REPORT

Company names	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Held by the Company	Held by the subsidiary	Principal activities	Name of statutory auditor
Meitun Meiwu (Shanghai) Information Technology Co., Ltd. (美國美物 (上海) 信息技術有限公司)....	Shanghai, PRC November 5, 2014	RMB 64,801,000	—	100%	Technology information service	Shanghai Haixia Certified Public Accountants Co., Ltd. (上海海峽會計師事務所有限公司)
Haitun (Shanghai) International Trading Co., Ltd. (海國 (上海) 國際貿易有限公司)....	Shanghai, PRC April 10, 2015	RMB 2,000,000	—	100%	Technology information service	NA
Meitun International Trading Limited (美國國際貿易有限公司).....	Hong Kong May 10, 2016	HK\$1	—	100%	Technology information service	NA
Wuhan Meitun Mama E-Commerce Co., Ltd. (武漢美團媽媽電子商務有限公司)	Wuhan, PRC April 13, 2017	RMB 1,000,000	—	100%	E-commerce	NA
Meitun Trade GmbH.....	Germany January 27, 2016	EUR 500,000	—	100%	E-commerce	NA
Shanghai Xiaojia Finance Technology Services Co., Ltd. (上海小嘉金融科技服務有限公司)	Shanghai, PRC September 3, 2018	RMB15,000,000	—	86%	Finance information service	NA

Held by Contractual Arrangements

Beijing Zhongming Century Science and Technology Co., Ltd. (北京眾鳴世紀科技有限公司).....	Beijing, PRC March 1, 2006	RMB 53,498,360	—	100%	Advertising	Beijing Dongcai Accounting Firm (General Partnership) (北京東財會計師事務所(普通合夥))
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As of the date of this report, no audited financial statements have been prepared for the Company, BabyTree Group Hong Kong Limited, Haitun (Shanghai) International Trading Co., Ltd., Meitun International Trading Limited, Wuhan Meitun Mama E-Commerce Co., Ltd. and Meitun Trade GmbH, as they either have not carried on any businesses since the date of incorporation or exempt by the local requirement and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

All companies now comprising the Group have adopted December 31 as their financial year end date.

Basis of preparation and presentation

Upon the completion of the Reorganization on May 23, 2018, the Company became the holding company of the Group. The Reorganization principally involved inserting certain investment holding companies with no substantive operations as the new holding companies of the Listing Businesses. There were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganization. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial information of the Listing Businesses with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganization. Intra-group balances, transactions and unrealised gain/loss on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period, or where the companies were incorporated/established at a date later than January 1, 2015, for the period from the respective dates of incorporation/establishment to June 30, 2018. The consolidated statements of financial position of the Group as of December 31, 2015, 2016 and 2017 and June 30, 2018 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation/establishment, where applicable.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective for the accounting period beginning on January 1, 2018, including IFRS 15 *Revenue from contracts with customers*, throughout the Track Record Period except for IFRS 9 *Financial Instruments*, which has been adopted since January 1, 2018. The Group has applied IFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. The Group has not adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2018, except for the

amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9. Other revised and new accounting standards and interpretations issued but neither effective for the accounting period beginning on January 1, 2018 nor adopted by the Group are set out in Note 33.

The Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that during the Track Record Period, total liabilities exceeds the total assets by approximately RMB182.7 million, RMB640.1 million, RMB4,395.6 million and RMB6,876.2 million, respectively. As of December 31, 2015, 2016 and 2017 and June 30, 2018, the Group recorded a financial liability with fair value of convertible loans and financial instruments with preferred rights amounting to RMB932.8 million, RMB4,202.4 million, RMB5,252.3 million and RMB8,708.4 million.

The Directors and management of the Company have considered the preferred rights of these financial instruments with preferred rights would be terminated upon listing and are of the opinion that it is appropriate for the Historical Financial Information to prepare on a going concern basis.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information, unless otherwise stated.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- Financial instruments measured at fair value through profit or loss (FVPL) (see Note 2(e));
- Convertible loans (see Note 2(m));
- Financial instruments with preferred rights (see Note 2(o)).

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions

are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(b) *Changes in accounting policies*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. Therefore the Historical Financial Information for the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2017 or as at December 31, 2015, 2016 and 2017 continues to be reported under IAS 39.

The following table summarizes the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at January 1, 2018.

	<i>RMB'000</i>
Retained earnings	
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL	3,826
Related tax	(679)
	<u>3,147</u>
Net increase in retained earnings at January 1, 2018.....	<u>3,147</u>
	<i>RMB'000</i>
Fair value reserve (recycling)	
Transferred to retained earnings relating to financial assets now measured at FVPL ..	(3,826)
Related tax	679
	<u>(3,147)</u>
Net decrease in fair value reserve at January 1, 2018.....	<u>(3,147)</u>

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

		IAS 39 carrying amount at December 31, 2017	Reclassification	IFRS 9 Carrying amount at January 1, 2018
	Note	RMB'000	RMB'000	RMB'000
Financial assets carried at amortized cost				
Cash and cash equivalents.....		204,783	—	204,783
Trade receivables		149,001	—	149,001
Prepayments and other receivables		202,404	—	202,404
Other current assets		8,691	—	8,691
		<u>564,879</u>	<u>—</u>	<u>564,879</u>
Financial assets carried at FVPL				
Equity securities	(i)	—	7,323	7,323
Short-term investment	(ii)	—	517,556	517,556
Financial assets classified as available-for-sale under IAS 39 (notes (i),(ii))				
Available-for-sale equity securities.....	(i)	7,323	(7,323)	—
Available-for-sale financial assets	(ii)	517,556	(517,556)	—

Notes:

- (i) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at fair value through other comprehensive income ("FVOCI") by the Group. No equity security was designated at FVOCI by the Group.

- (ii) Under IAS 39, wealth management products were classified as available-for-sale financial assets. They are classified as at FVPL under IFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and loss under IFRS 9, see respective accounting policy notes in notes 2(e), (f), (j), (l) and (q).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities (including financial instrument with preferred rights) at January 1, 2018 have not been impacted by the initial application of IFRS 9.

b. *Credit loss*

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortized cost (including cash and cash equivalents, other current assets, trade receivables and prepayments and other receivables).

For further details on the Group’s accounting policy for accounting for credit loss, see note 2(j).

The Group assessed no material difference between the closing loss allowance determined in accordance with IAS 39 as at December 31, 2017 and the opening loss allowance determined in accordance with IFRS 9 as at January 1, 2018.

c. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 or at December 31, 2015, 2016 and 2017 has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2017 or at December 31, 2015, 2016 and 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at January 1, 2018 (the date of initial application of IFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognized for that financial instrument.

(c) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized loss resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(d)).

- *Subsidiaries controlled through Contractual Arrangements*

The Company and the companies comprising the Group entered several batches of contractual agreements.

Zhongming and Meitun Mama and its registered owners entered a series of contractual arrangements (collectively, "Previous VIE Structure") with BabyTree Information and Meitun Meiwu.

BabyTree Information entered a series contractual arrangements (collectively, "Contractual Arrangements") with Zhongming and its registered owners to control the Restricted Businesses.

Zhongming and Meitun Mama in these contractual arrangements are collectively called "VIEs" and BabyTree Information and Meitun Meiwu are collectively called "WFOEs".

The equity interests of VIEs are legally held by individuals who act as nominee equity holders of the VIEs on behalf of WFOEs. The contractual agreements including powers of attorney, exclusive business cooperation agreement, share pledge agreement and loan agreement. Pursuant to the Contractual Agreements, WFOEs have the power to direct activities that most significantly impact the VIEs and the VIEs' subsidiaries, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIEs and the VIEs' subsidiaries at its discretion. WFOEs consider that they also have the right to substantially all of the economic benefits of VIEs and have an exclusive option to purchase all or part of the equity interests in VIEs when and to the extent permitted by PRC law at the minimum price possible.

The Group has determined that the Contractual Arrangements are in compliance with PRC laws and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group's ability to enforce the Contractual Arrangements.

- *Business combinations*

- a) Business combinations not under common control

The Group accounts for business combinations not under common control using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

- b) Business combinations under common control

The consolidated financial statements incorporate the financial statement items of the combining entities of businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of same shareholder.

The assets and liabilities of the combining entities or businesses are consolidated at the carrying amount previously recognized. The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

(d) *Associates*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment loss for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of loss exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and loss resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized loss provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)).

(e) *Other investments in debt and equity securities*

The Group's and the Company's policies for investments in equity securities, investment in wealth management products, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are recognized / derecognized on the date the Group commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss.

For an explanation of how the Group determines fair value of financial instruments, see note 29(d). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from January 1, 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(u)(iv)).
- fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit loss, interest income (calculated using the effective interest derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- Fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Investments in wealth management products of the Group are classified as fair value at profit or loss. Changes in the fair value of the investment (including interest) are recognized in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income.

(B) *Policy applicable prior to January 1, 2018*

The Group did not have any held-to-maturity or held for trading investments and debt securities in the current or comparative accounting periods.

Investments in wealth management products and investment in equity securities which do not fall into any of the above categories are classified as available-for-sale assets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statement of financial position at cost less impairment loss (see Note 2(j)). Dividend income from equity securities are recognized in profit or loss.

When the investments are derecognized or impaired (see Note 2(j)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

(f) *Derivative financial instruments*

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(g) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss (see Note 2(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Electronic equipment	3-5 years
— Office equipment	5 years
— Leasehold improvements	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) *Intangible assets (other than goodwill)*

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment loss (see Note 2(j)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred. Software held by the Group is mainly consisted of warehouse management system, office administrative software such as Email system and OA system, ERP System and others.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The Group estimated useful lives based on the shorter of licensing period and the period over which the software is expected to generate net cash inflows for the Group. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

— Software	3- 10 years
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Both the period and method of amortization are reviewed annually.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Other development expenditure is recognized as an expense in the period in which it is incurred. No expenditure on development activities is capitalized during the Track Record Period.

(i) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(j) *Credit loss and impairment of assets*

(i) *Credit loss from financial instruments*

(A) Policy applicable from January 1, 2018

The Group recognize a loss allowance for expected credit loss (ECLs) financial assets measured at amortized cost (including cash and cash equivalents, trade receivables, prepayments and other receivables and other current assets).

Financial assets measured at fair value, including equity securities and investments in wealth management products measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit loss. Credit loss are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Loss allowances for trade receivables, prepayment and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including structured deposit in other current assets), the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 365 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with note 2(u)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to January 1, 2018

Prior to January 1, 2018, an “incurred loss” model was used to measure impairment loss on financial assets not classified as at FVPL (e.g. trade and other receivables, and available-for-sale investments).

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events.

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For investments in associates and joint ventures accounted for under the equity method in the Historical Financial Information (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(j)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with Note 2(j)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment loss for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

- For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment loss recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.

Impairment loss in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment loss in such circumstances are recognized in profit or loss.

Impairment loss are written off against the corresponding assets directly, except for impairment loss recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment loss for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized within “accruals and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

(A) Policy applicable from January 1, 2018

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to January 1, 2018

Prior to January 1, 2018, a provision would be recognized if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in “accruals and other payables” in respect of the guarantee.

(iii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- investments in subsidiaries, associates and joint ventures in the company’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment loss

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment loss recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment loss

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment loss are credited to profit or loss in the year in which the reversals are recognized.

(k) ***Inventories***

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises costs of purchase after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as a cost of revenue in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all loss of inventories are recognized as a cost of revenue in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as a cost of revenue in the period in which the reversal occurs.

(l) *Trade and other receivables*

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit loss (see note 2(j)(i)).

(m) *Convertible loans*

Convertible loans issued by the Group can be converted into ordinary shares of the companies comprising the Group upon occurrence of the Initial Public Offering (“IPO”) or agreed by majority of the holders as detailed in Note 26. The Group designated the convertible loans as financial liabilities at fair value through profit or loss. These financial liabilities are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss as incurred. The convertible loans is subsequently premeasured in accordance with Note 2(f).

(n) *Interest-bearing borrowings*

Interest-bearing borrowings are measured initially at fair value less transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method.

(o) *Financial instruments with preferred rights*

Ordinary *shares* with preferred rights (“Preferred Securities”), which are designated as financial instruments with preferred rights, issued by the Group are redeemable upon occurrence of certain future events and at the option of the holders as detailed in Note 27. Financial instruments with preferred rights is classified as a liability and the Group designated them as financial liabilities at fair value through profit or loss. These financial liabilities are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss as incurred. The financial instruments with preferred rights are subsequently remeasured in accordance with Note 2(f).

(p) *Trade and other payables*

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) *Employee benefits*

(i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Share-based payments*

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) *Termination benefits*

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(s) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loss and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax loss and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(t) ***Provisions and contingent liabilities***

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) ***Revenue recognition***

Revenue is measured based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when transfer control over a product or service to a customer.

The following is a description of principal activities from which the Group generates its revenue.

(i) *Advertising*

The Group offers different formats of advertisements such as banners, rectangles, picture-in-picture, text links, images, topics and so on throughout the Group's Apps or websites. Revenue from advertising is primarily derived from display-based and performance-based advertisements.

Display-based advertisements services are provided in a subscribed impressions for cost per thousand impressions advertising arrangements. Revenue is recognized on a pro-rata basis over the number of times that the advertisement has been displayed.

Performance-based advertisements services are provided based on performance criteria such as number of click of links directly to the advertiser's website or number of applications for advertising products. Revenue is recognized when the specified performance criteria are met.

Sales rebates are estimated based on the Group's best estimation on historical experiences and deduct from revenue.

(ii) *E-commerce*

The Group conducts e-commerce operations on the Group's Apps or websites in two formats: direct sales and marketplace.

Under the direct sales model, the Group purchases products from suppliers and sells to customers as principal. Under such model, the Group controls over the products as by sourcing, pricing, taking inventory, arranging for delivery, providing customer service and responding to return requests directly. Revenue from direct sales is recognized when the customer has accepted the goods and the related risks and rewards of ownership transferred. Revenue is determined based on the gross amount of sales excluding value added tax or other sales taxes, and after deduction of any trade discounts and sales return. Sales returns are estimated based on the Group's best estimation on historical experiences.

Under the marketplace model, third-party vendors offer merchandise to customers on the Group's e-commerce platform, and the Group as the owner and operator of the platform charges commissions on the sales. The Group provides display, transaction and billing services for all orders in their online marketplace. Revenue of commissions is recognized upon the customer has accepted the goods.

(iii) *Content Monetization*

The Group provides premium content and charges a fee to customers. The Group cooperates with institutes who have qualified expert resources or individual qualified experts to provide knowledge sharing or online consultation by the functions in the Group's platform.

The Group considers whether it is acting as principal or agent in the provision of premium content. When the Group is primarily responsible for fulfilling the contract, has the power to control the process of content generation, the right to use the content and has discretion to establish pricing, revenue is determined based on the gross amount of sales excluding value added tax or other sales taxes, and after deduction of any trade discounts and sales return. When the Group is acting as agent, the Group performs as a channel for the customers and the service providers, revenue is determined based on the net amount of sales excluding value added tax or other sales taxes and after deduction of the payments to institutes and experts.

(iv) *Interest income*

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(v) *Government grants*

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and consequently are effectively recognized in profit or loss over the useful life of the asset as other income.

(v) *Translation of foreign currencies*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The functional currency of the Company is USD. As the major operations of the Group are within mainland China, the consolidated financial statements are presented in RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gain and loss are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) *Segment reporting*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(a) *Critical accounting judgements in applying the Group's accounting policies*

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Principal versus agent consideration

Revenue from E-commerce via the Group's platform

The Group conducts e-commerce operations on the Group's platform in two formats: marketplace and direct sales.

Determining whether the Group is acting as a principal or as an agent in the sales of goods on the Group's platform requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers, individually or in combination whether the Group is primarily responsible for fulfilment the contract, is subject to the inventory risk, has discretion to establish prices. Having considered the relevant facts and circumstances, management considers that the Group obtains control of those goods sold through direct sales while the Group does not obtain control of those goods sold through marketplace before the goods are transferred to the customers. Accordingly, the Group is acting as a principal for the direct sales and the related revenue is presented on a gross basis, while the Group is acting as an agent for the marketplace and the related revenue is presented on a net basis.

(b) *Sources of estimation uncertainty*

Key sources of estimation uncertainty are as follows:

(i) *Recognition of share-based compensation expenses*

As mentioned in Note 24, the Group has granted shares options to its employees. The Group uses equity allocation model to determine the fair value of ordinary share, one of the key inputs to determine the fair value of the options, and uses binomial lattice model to determine total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility, dividend yield and IPO date, are required to be made by the Group in applying the equity allocation model.

(ii) *Valuation of convertible loans and financial instruments with preferred rights*

The Group adopts an equity allocation model to estimate the fair value of convertible loans and financial instruments with preferred rights as of December 31, 2015, 2016 and 2017 and June 30, 2018. Significant estimate on assumptions, such as the discount rate, risk-free interest rate, expected volatility and IPO date, are required to be made by the Group in applying the equity allocation model.

(iii) *Deferred tax assets*

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing whether such temporary differences can be utilized in the future, the Group needs to make judgements and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. The Group believes it has recorded adequate deferred taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact the Group's results or financial position.

(iv) *Credit loss of trade receivables*

The Group recognize a loss allowance for expected credit loss (ECLs) financial assets measured at amortized cost. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimated.

4 Revenue and segment reporting**(a) Revenue**

The principal activities of the Group are providing advertising, E-commerce and other content monetization services to customers.

The amount of each significant category of revenue is as follows:

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Advertising	167,339	267,866	372,385	170,097	298,145
E-commerce					
— Direct sales	32,664	149,382	174,672	102,973	47,519
— Marketplace	—	90,797	157,911	80,810	43,048
Content monetization	—	1,687	24,656	7,890	18,811
	<u>200,003</u>	<u>509,732</u>	<u>729,624</u>	<u>361,770</u>	<u>407,523</u>

The Group's customer base is diversified and includes one customer with whom transactions has exceeded 10% of the Group's revenues during the Track Record Period. In 2015 revenues from advertising to this customer amounted to approximately RMB24.7 million. Details of concentrations of credit risk arising from this customer are set out in Note 29(a).

The contract liability was disclosed as advances from customers in Note 23.

(b) Segment reporting

The Group manages its businesses by divisions, which are organized by business lines (products and services). In a manner consistent with the way in the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Advertising
- E-commerce, which includes direct sales and marketplace
- Content monetization

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and gross profit attributable to each reportable segment. Other items in profit or loss are not allocated to reportable segments.

Revenue and cost are allocated to the reportable segments with reference to sales generated by those segments and the cost incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

Other information, together with the segment information, provided to the Group's senior executive management, is measured in a manner consistent with that applied in these financial statements. There were no separate segment assets and segment liabilities information provided to the Group's senior executive management, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

The amount of each significant category of revenue recognized during the Track Record Period is as follows:

	For the year ended December 31, 2015			
			Content	
	Advertising	E-commerce	monetization	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	167,339	32,664	—	200,003
Segment costs	(53,804)	(36,987)	—	(90,791)
Gross profit / (loss)	<u>113,535</u>	<u>(4,323)</u>	<u>—</u>	<u>109,212</u>
	For the year ended December 31, 2016			
			Content	
	Advertising	E-commerce	monetization	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	267,866	240,179	1,687	509,732
Segment costs	(91,300)	(145,973)	(2,009)	(239,282)
Gross profit/(loss)	<u>176,566</u>	<u>94,206</u>	<u>(322)</u>	<u>270,450</u>

	For the year ended December 31, 2017			
	Advertising	E-commerce	Content monetization	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	372,385	332,583	24,656	729,624
Segment costs	(88,797)	(170,907)	(8,822)	(268,526)
Gross profit	<u>283,588</u>	<u>161,676</u>	<u>15,834</u>	<u>461,098</u>

	For the six months ended June 30, 2017 (unaudited)			
	Advertising	E-commerce	Content monetization	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	170,097	183,783	7,890	361,770
Segment costs	(38,829)	(100,229)	(4,084)	(143,142)
Gross profit	<u>131,268</u>	<u>83,554</u>	<u>3,806</u>	<u>218,628</u>

	For the six months ended June 30, 2018			
	Advertising	E-commerce	Content monetization	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	298,145	90,567	18,811	407,523
Segment costs	(49,462)	(43,313)	(1,803)	(94,578)
Gross profit	<u>248,683</u>	<u>47,254</u>	<u>17,008</u>	<u>312,945</u>

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As of December 31, 2015, 2016, 2017 and June 30, 2018, substantially all of the non-current assets of the Group other than certain long-term investments were located in PRC.

The reconciliation of segment gross profit/loss to loss before income tax for the years ended December 31, 2015, 2016 and 2017, and for the six months ended June 30, 2017 and 2018 is presented in the consolidated statements of profit or loss of the Group.

5 Other revenue and other net income

(a) Other revenue

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Investment income from short-term investment	—	8,418	49,646	40,073	6,883
Investment income from structure deposits in other current assets measured at amortized cost	2,517	8,238	2,177	1,307	815
Government grants	—	—	2,508	959	594
	<u>2,517</u>	<u>16,656</u>	<u>54,331</u>	<u>42,339</u>	<u>8,292</u>

(b) Other net income/ (loss)

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net loss on disposal of property, plant and equipment	(45)	(265)	—	—	—
Impairment loss of available-for-sale equity security	—	—	(4,000)	—	—
Net foreign exchange gain/(loss)	467	6,339	(6,751)	(1,294)	(6,063)
Others	<u>(51)</u>	<u>(604)</u>	<u>9</u>	<u>111</u>	<u>608</u>
	<u>371</u>	<u>5,470</u>	<u>(10,742)</u>	<u>(1,183)</u>	<u>(5,455)</u>

6 Loss/(profit) before taxation

Loss/(profit) before taxation is arrived at after (crediting)/charging:

(a) Net finance income

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest income from deposits	1,188	4,081	6,787	6,295	2,462
Interest expense on interest-bearing loans	(335)	—	—	—	(18)
Net finance income	<u>853</u>	<u>4,081</u>	<u>6,787</u>	<u>6,295</u>	<u>2,444</u>

BabyTree Information borrowed from China Guangfa Bank for a loan amounting to RMB10,000,000 on February 2, 2015 and repaid on July 6, 2015. Annual interest rate of this loan is 7.84%.

BabyTree Information received RMB49,000,000 from Taobao (China) Software Co., Ltd. 淘寶(中國)軟件有限公司 on May 25, 2018 as investment deposit and repaid on May 29, 2018. The prescribed annual interest rate of this deposit is 4.35%.

(b) Staff costs

		Years ended December 31,			Six months ended June 30,	
	Note	2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>	
Salaries, wages and other benefits		120,835	164,593	195,664	94,914	124,356
Contributions to defined contribution retirement plan..	(i)	12,306	17,876	20,546	9,273	12,053
Equity settled share-based payment expense (Note 24)...		1,692	51,566	—	—	—
Termination benefits		<u>283</u>	<u>1,482</u>	<u>6,572</u>	<u>2,711</u>	<u>1,790</u>
		<u>135,116</u>	<u>235,517</u>	<u>222,782</u>	<u>106,898</u>	<u>138,199</u>

- (i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

(c) *Other items*

The following expenses are included in cost of revenue, selling and marketing expenses, general and administration expenses and research and development expenses.

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Cost of inventories.....	33,582	142,045	165,320	97,637	40,966
Fulfilment expenses	16,281	33,728	32,312	17,859	11,163
Marketing expenses.....	126,304	37,998	30,019	10,253	16,413
Operating lease	23,290	30,269	28,418	13,340	13,542
Tax and levies.....	7,528	14,323	16,175	5,618	12,772
Depreciation and amortization.....	4,478	8,429	12,687	6,012	6,540
Impairment loss for trade and other receivables.....	2,561	4,485	1,844	2,024	7,262
Auditors' remuneration.....	199	316	630	—	—

7 Income tax in the consolidated statements of profit or loss

- (a) *Income tax in the consolidated statements of profit or loss represents:*

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Current tax-PRC					
Enterprise Income Tax					
Provision for the year/period.....	565	4,237	8,612	9,944	7,559
Deferred tax expense					
Origination and reversal of temporary differences.....	(13,722)	(36,442)	29,428	20,240	(15,461)
	<u>(13,157)</u>	<u>(32,205)</u>	<u>38,040</u>	<u>30,184</u>	<u>(7,902)</u>

(b) *Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rates:*

		Years ended December 31,			Six months ended June 30,	
	Note	2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Loss before taxation.....		(299,577)	(966,744)	(873,098)	(357,805)	(2,182,903)
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions ...	(i)	(74,894)	(241,686)	(218,274)	(89,452)	(545,287)
Tax effect of:						
Non-deductible expenses and loss	(ii)	29,120	245,328	264,308	120,621	576,425
Preferential tax rate applicable to subsidiary	(i)	—	(2,671)	(5,328)	(937)	(3,607)
Additional deductible allowance for research and development expenses		(4,896)	(3,961)	(3,561)	(1,539)	(2,617)
Tax loss and temporary differences not recognized as deferred tax assets		37,513	3,230	3,026	2,349	1,392
Utilization and recognition of previously tax loss and temporary differences unrecognized		—	(32,445)	(2,131)	(858)	(612)
Others	(iii)	—	—	—	—	(33,596)
Actual tax (credit)/expense.....		(13,157)	(32,205)	38,040	30,184	(7,902)

(i) Income tax rate applies to the Company and subsidiaries

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The Group has no assessable profit in Hong Kong during the Track Record Period and is not subject to any Hong Kong profits tax. The Hong Kong profits tax rate during the Track Record Period is 16.5%.

In accordance with the Enterprise Income Tax Law (“Income Tax Law”) of the PRC, enterprise income tax rate for the Group’s PRC subsidiaries during the Track Record Period is 25%.

According to the relevant PRC income tax law, the Company's subsidiary, BabyTree Information was certified as a New and High Technology Enterprise in Beijing since 2016, and is entitled to a preferential income tax rate of 15%. The current certification of New and High Technology Enterprise held by BabyTree Information will expire on December 21, 2019.

- (ii) Non-deductible expenses and loss mainly represent non-deductible fair value change of financial liabilities at fair value through profit or loss, equity settled share-based payment expense and other expenses or losses that exceed the deductible limitation such as entertainment, donation and others.
- (iii) It represents a deductible loss on disposal of BabyTree Information by Zhongming to BabyTree Group Hong Kong Limited within the Group during the Reorganization.

8 Directors' emoluments

Directors' emoluments are as follows:

	Year ended December 31, 2015						
	Salaries, allowances and Directors' fees	benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share- based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Wang Huainan	—	1,436	200	44	1,680	604	2,284
Xu Chong	—	1,058	50	44	1,152	76	1,228
	—	2,494	250	88	2,832	680	3,512

	Year ended December 31, 2016						
	Salaries, allowances and Directors' fees	benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share- based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Wang Huainan	—	2,035	580	47	2,662	18,507	21,169
Xu Chong	—	1,431	200	47	1,678	30,820	32,498
	—	3,466	780	94	4,340	49,327	53,667

Year ended December 31, 2017

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Wang Huainan	—	2,989	350	51	3,390	—	3,390
Xu Chong	—	1,398	300	51	1,749	—	1,749
	—	4,387	650	102	5,139	—	5,139

Six months ended June 30, 2017 (unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Wang Huainan	—	1,537	175	24	1,736	—	1,736
Xu Chong	—	774	150	24	948	—	948
	—	2,311	325	48	2,684	—	2,684

Six months ended June 30, 2018

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Wang Huainan	—	1,277	200	26	1,503	—	1,503
Xu Chong	—	840	130	26	996	—	996
	—	2,117	330	52	2,499	—	2,499

Notes:

- 1 Mr. Wang Huainan and Mr. Xu Chong were appointed as executive director of the Company on February 9, 2018 and June 11, 2018, respectively. All the executive directors are key management personnel of the Group during the Track Record Period and their remuneration disclosed above include those for services rendered by them as key management personnel.

- 2 Mr. Chen Qiyu, Mr. Wang Changying, Mr. Shao Yibo, Mr. Luo Rong, Mr. Christian Franz Reitermann and Mr. Jing Jie were appointed as non-executive director of the Company on June 11, 2018.
- 3 Mr. Chen Guanglei, Ms. Chen Danxia, Mr. De-chao Michael Yu and Mr. Zhang Hongjiang were appointed as independent non-executive director of the Company on June 11, 2018.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, 2, 2, 2, 2, 2 are directors whose emolument is disclosed in Note 8 for the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018 respectively. The aggregate of the emoluments in respect of other 3, 3, 3, 3, 3 individuals for the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018 respectively are as follows:

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Salaries and other emoluments	2,387	3,082	3,090	1,446	1,410
Discretionary bonuses	301	412	1,298	649	270
Share-based payments	396	664	—	—	—
Retirement scheme contributions	129	137	147	71	77
	<u>3,213</u>	<u>4,295</u>	<u>4,535</u>	<u>2,166</u>	<u>1,757</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	—	—	—	2	3
HK\$1,000,001 to HK\$1,500,000	2	2	2	1	—
HK\$1,500,001 to HK\$2,000,000	1	1	1	—	—

10 Other comprehensive income**(a) Tax effects relating to each component of other comprehensive income**

	For the year ended December 31, 2015		
	Before-tax amount	Tax expense	Net-of-tax amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Exchange differences on translation of financial statements of overseas subsidiaries	(5)	—	(5)
Available-for-sale financial assets: net movement in fair value reserve (recycling)	5,571	(1,393)	4,178
Other comprehensive income.....	<u>5,566</u>	<u>(1,393)</u>	<u>4,173</u>
	For the year ended December 31, 2016		
	Before-tax amount	Tax expense	Net-of-tax amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Exchange differences on translation of financial statements of overseas subsidiaries	(447)	—	(447)
Available-for-sale financial assets: net movement in fair value reserve (recycling)	10,151	(2,538)	7,613
Other comprehensive income.....	<u>9,704</u>	<u>(2,538)</u>	<u>7,166</u>
	For the year ended December 31, 2017		
	Before-tax amount	Tax expense	Net-of-tax amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Exchange differences on translation of financial statements of overseas subsidiaries	583	—	583
Available-for-sale financial assets: net movement in fair value reserve (recycling)	(11,896)	3,252	(8,644)
Other comprehensive income.....	<u>(11,313)</u>	<u>3,252</u>	<u>(8,061)</u>

	Six months ended June 30, 2017		
	(unaudited)		
	Before-tax amount	Tax expense	Net-of-tax amount
	RMB'000	RMB'000	RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	856	—	856
Available-for-sale financial assets: net movement in fair value reserve (recycling)	(13,479)	3,370	(10,109)
Other comprehensive income.....	(12,623)	3,370	(9,253)

	Six months ended June 30, 2018		
	Before-tax amount	Tax benefit	Net-of-tax amount
	RMB'000	RMB'000	RMB'000
Exchange differences on translation of financial statements of the Company and overseas subsidiaries.....	(312,090)	—	(312,090)
Other comprehensive income.....	(312,090)	—	(312,090)

(b) *Components of other comprehensive income, including reclassification adjustments*

	Years ended December 31,			Six months ended	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(unaudited)</i>					
Available-for-sale financial assets:					
Change in fair value recognized during the year/period	5,571	18,569	37,750	26,594	—
Reclassification adjustments for amounts transferred to profit or loss:					
— gains on disposal (Note 5(a)).....	—	(8,418)	(49,646)	(40,073)	—
Net movement in the fair value reserve during the year/period recognized in other comprehensive income	5,571	10,151	(11,896)	(13,479)	—

11 Loss per share

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of preparation and presentation of the Historical Financial Information for the Track Record Period as disclosed in Note 1 above.

12 Property, plant and equipment

	Electronic equipment	Office equipment	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:				
At January 1, 2015	10,092	1,104	2,692	13,888
Additions	10,573	1,025	3,675	15,273
Disposals	(219)	(53)	—	(272)
At December 31, 2015 and January 1, 2016	20,446	2,076	6,367	28,889
Additions	11,007	693	2,664	14,364
Disposals	(1,920)	(164)	(513)	(2,597)
At December 31, 2016 and January 1, 2017	29,533	2,605	8,518	40,656
Additions	11,347	2	123	11,472
Disposals	(372)	—	—	(372)
At December 31, 2017 and January 1, 2018	40,508	2,607	8,641	51,756
Additions	3,373	40	1,057	4,470
At June 30, 2018	43,881	2,647	9,698	56,226
Accumulated depreciation:				
At January 1, 2015	(4,082)	(448)	(1,139)	(5,669)
Charge for the year	(2,778)	(290)	(727)	(3,795)
Written back on disposals	176	15	—	191
At December 31, 2015 and January 1, 2016	(6,684)	(723)	(1,866)	(9,273)
Charge for the year	(5,163)	(463)	(1,592)	(7,218)
Written back on disposals	1,697	137	457	2,291
At December 31, 2016 and January 1, 2017	(10,150)	(1,049)	(3,001)	(14,200)
Charge for the year	(9,136)	(638)	(976)	(10,750)
Written back on disposals	354	—	—	354
At December 31, 2017 and January 1, 2018	(18,932)	(1,687)	(3,977)	(24,596)
Charge for the period	(4,673)	(297)	(351)	(5,321)
At June 30, 2018	(23,605)	(1,984)	(4,328)	(29,917)
Net book value:				
At December 31, 2015	13,762	1,353	4,501	19,616
At December 31, 2016	19,383	1,556	5,517	26,456
At December 31, 2017	21,576	920	4,664	27,160
At June 30, 2018	20,276	663	5,370	26,309

13 Intangible assets

	Years ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:				
At January 1	1,013	3,531	5,910	9,469
Additions	2,518	2,379	3,559	184
At December 31/June 30	<u>3,531</u>	<u>5,910</u>	<u>9,469</u>	<u>9,653</u>
Accumulated amortisation:				
At January 1	—	(683)	(1,894)	(3,831)
Charge for the year/period	<u>(683)</u>	<u>(1,211)</u>	<u>(1,937)</u>	<u>(1,219)</u>
At December 31/June 30	<u>(683)</u>	<u>(1,894)</u>	<u>(3,831)</u>	<u>(5,050)</u>
Net book value:				
At December 31/June 30	<u>2,848</u>	<u>4,016</u>	<u>5,638</u>	<u>4,603</u>

Intangible assets represent computer software during the Track Record Period. The amortization charge for the year is included in the consolidated statements of profit or loss.

14 Interests in associates

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>—</u>	<u>12,051</u>	<u>13,625</u>	<u>12,863</u>
Aggregate amounts of the Group's share of those associates' loss from continuing operations.....	<u>—</u>	<u>(949)</u>	<u>(2,426)</u>	<u>(762)</u>

There is no individually material interests in associates during the Track Record Period.

15 Equity securities

	As at December 31,			As at January 1,	As at June 30,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities					
- Unlisted	—	—	—	7,323	9,236
Available-for-sale equity securities:					
- Unlisted	4,000	4,000	11,323	—	—
Less: Impairment	—	—	(4,000)	—	—
	<u>4,000</u>	<u>4,000</u>	<u>7,323</u>	<u>7,323</u>	<u>9,236</u>

Available-for-sale equity securities were reclassified to equity securities measured at fair value through profit or loss (FVPL) upon the initial application of IFRS 9 at January 1, 2018 (see note 2(b)).

As of December 31, 2015, 2016 and 2017 and June 30, 2018, equity securities held by the Group are equity instruments invested in third parties with less than 20% of shareholding and the Group has no significant influence.

16 Other current assets

		As at December 31,			As at June 30,
	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Deductible input VAT.....		11,213	16,066	8,631	1,722
Recoverable tax	25(a)	—	819	60	—
Structure deposits		<u>300,000</u>	<u>—</u>	<u>—</u>	<u>110,000</u>
		<u>311,213</u>	<u>16,885</u>	<u>8,691</u>	<u>111,722</u>

Structure deposits held by the Group were issued by banks in the PRC measured at amortized cost.

17 Inventories

(a) *Inventories in the consolidated statements of financial position comprise:*

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods.....	12,127	42,227	45,297	35,760
Less: Provision for inventory	(557)	(1,945)	(9,000)	(8,109)
Inventories, net	<u>11,570</u>	<u>40,282</u>	<u>36,297</u>	<u>27,651</u>

(b) *The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:*

	As at December 31,			As at June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Carrying amount of inventories sold	33,025	140,657	158,265	97,011	41,857
Write down of inventories..	557	1,454	7,948	994	99
Transfer to cost of sales upon sold.....	<u>—</u>	<u>(66)</u>	<u>(893)</u>	<u>(368)</u>	<u>(990)</u>
	<u>33,582</u>	<u>142,045</u>	<u>165,320</u>	<u>97,637</u>	<u>40,966</u>

18 Trade receivables

		As at December 31,			As at June 30,
	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from third parties		100,190	164,977	159,989	319,701
Amounts due from related parties	31(b)(ii)	300	608	—	—
Less: loss allowance		<u>(5,455)</u>	<u>(9,463)</u>	<u>(10,988)</u>	<u>(14,226)</u>
		<u>95,035</u>	<u>156,122</u>	<u>149,001</u>	<u>305,475</u>

(a) *Ageing analysis*

As of the end of each of the Track Record Period, the ageing analysis of trade receivable, based on the invoice date and net of loss allowance, is as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	77,711	109,284	127,617	259,868
6 months to 1 year.....	11,774	34,642	9,056	34,667
1 to 2 years	5,550	9,210	11,431	8,882
2 to 3 years	—	2,986	897	2,058
Over 3 years	—	—	—	—
	<u>95,035</u>	<u>156,122</u>	<u>149,001</u>	<u>305,475</u>

The credit terms agreed with customers are normally 30-90 days from the date of billing or 60-120 days from the date the advertisement posts. No interests are charged on the trade receivables. Further details on the Group's credit policy are set out in Note 29(a).

19 Prepayments and other receivables

	Note	As at December 31,			As at June 30,
		2015	2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties	31(b)(i)	92,048	108,846	157,317	188,773
Prepayments to suppliers....		3,514	14,295	19,262	18,951
Receivables due from third party payment channels ..		6,433	3,341	9,987	3,298
Other receivables		28,520	27,814	16,112	13,582
Less: loss allowance		—	—	(274)	(3,637)
		<u>130,515</u>	<u>154,296</u>	<u>202,404</u>	<u>220,967</u>

20 Short-term investment

	As at December 31,			As at January 1,	As at June 30,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term investment					
- Wealth management products	—	—	—	517,556	—
Available-for-sale financial assets					
- Wealth management products.....	305,571	3,214,334	517,556	—	—

Available-for-sale financial assets were reclassified to short-term investment measured at FVPL upon the initial application of IFRS 9 at January 1, 2018 (see note 2(b)).

Wealth management products is issued by banks in the PRC with variable interest rate due within one year.

21 Cash and cash equivalents and other cash flow information**(a) Cash and cash equivalents comprise:**

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	2	1	2	—
Deposits with banks	114,888	206,020	204,781	1,411,332
Cash and bank balances	114,890	206,021	204,783	1,411,332
Less: restricted bank deposit	—	72,850	—	—
Cash and cash equivalents.....	<u>114,890</u>	<u>133,171</u>	<u>204,783</u>	<u>1,411,332</u>

The bank deposit restricted for use as of December 31, 2016 was deposit paid to secure the bank loan borrowed by BabyTree Trading, a related party of the Group. BabyTree Trading repaid the loan in 2017 and restriction on the deposit was released accordingly.

(b) *Reconciliation of profit before taxation to cash generated from operations:*

	Years ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Loss before income taxation	(299,577)	(966,744)	(873,098)	(357,805)	(2,182,903)
<i>Adjustments for:</i>					
Depreciation	3,795	7,218	10,750	5,217	5,321
Amortisation	683	1,211	1,937	795	1,219
Net finance income.....	(853)	(4,081)	(6,787)	(6,295)	(2,444)
Share of loss of associates.....	—	949	2,426	1,344	762
Net loss on disposal of property, plant and equipment.....	45	265	—	—	—
Investment income from short-term investment.....	—	(8,418)	(49,646)	(40,073)	(6,883)
Investment income from structure deposits in other current assets.....	(2,517)	(8,238)	(2,177)	(1,307)	(815)
Impairment of trade and other receivables and available-for-sale equity securities	2,561	4,485	5,844	2,024	7,262
Provision of inventories.....	557	1,388	7,055	626	(891)
Fair value change of financial liabilities at fair value through profit or loss	112,516	927,335	1,049,907	477,148	2,297,296
Equity-settled share-based payment expenses.....	1,692	51,566	—	—	—
Changes in working capital:					
(Increase)/decrease in inventories	(9,715)	(30,100)	(3,070)	(11,453)	9,537
(Increase)/decrease in trade receivables	(43,022)	(65,572)	5,551	(1,063)	(160,373)
(Increase)/decrease in prepayments and other receivables.....	(26,907)	(5,750)	(1,055)	(23,705)	10,241
Increase/(decrease) in trade payables ..	4,704	9,348	(2,842)	(11,278)	(7,156)
Increase/(decrease) in accruals and other payables	111,859	70,686	21,667	19,693	(13,776)
(Increase)/decrease in other current assets	(11,213)	(4,853)	7,435	6,737	6,909
Cash (used in)/generated from operations.....	<u>(155,392)</u>	<u>(19,305)</u>	<u>173,897</u>	<u>60,605</u>	<u>(36,694)</u>

(c) *Reconciliation of liabilities arising from financing activities:*

	Bank loans	Convertible loans	Financial instruments with preferred rights	Accruals and other payables	Total
	RMB'000	RMB'000 (Note 26)	RMB'000 (Note 27)	RMB'000	RMB'000
At January 1, 2015	—	—	—	8,671	8,671
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	10,000	—	—	—	10,000
Repayment of interest-bearing borrowings	(10,335)	—	—	—	(10,335)
Proceeds from issue of convertible loans	—	820,284	—	—	820,284
Amounts from related parties	—	—	—	70,566	70,566
Change in fair value	—	112,516	—	—	112,516
Other changes:					
Interest expense on bank loan (Note 6(a))	335	—	—	—	335
At December 31, 2015 and January 1, 2016	—	932,800	—	79,237	1,012,037
Changes from financing cash flows:					
Proceeds from investment deposit of potential investor	—	—	—	46,000	46,000
Proceeds from issue of financial instruments with preferred rights	—	—	2,342,290	—	2,342,290
Repayment to related parties	—	—	—	(68,986)	(68,986)
Change in fair value	—	178,071	749,264	—	927,335
Other changes:					
Convert to financial instruments with preferred rights (Note 26)	—	(1,110,871)	1,110,871	—	—
At December 31, 2016 and January 1, 2017	—	—	4,202,425	56,251	4,258,676
Changes from financing cash flows:					
Payment for investment deposit of potential investor	—	—	—	(46,000)	(46,000)
Amounts from related parties	—	—	—	37,846	37,846
Others	—	—	—	(333)	(333)
Change in fair value	—	—	1,049,907	—	1,049,907
At December 31, 2017	—	—	5,252,332	47,764	5,300,096
At January 1, 2018	—	—	5,252,332	47,764	5,300,096
Changes from financing cash flows:					
Proceeds from investment deposit of potential investor	—	—	—	49,000	49,000
Payment for investment deposit of potential investor	—	—	—	(49,018)	(49,018)
Amounts from related parties	—	—	—	22,806	22,806
Proceeds from issue of financial instruments with preferred rights in the Company	—	—	3,535,584	—	3,535,584
Repayment to the holders of financial instruments with preferred rights in Zhongming	—	—	(2,718,541)	—	(2,718,541)
Effect of exchange rate fluctuations	—	—	341,752	—	341,752
Change in fair value	—	—	2,297,296	—	2,297,296
Other changes:					
Interest expense on interest-bearing loans (Note 6(a))	—	—	—	18	18
At June 30, 2018	—	—	8,708,423	70,570	8,778,993

22 Trade payables

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to third parties.....	15,043	23,292	20,922	14,083
Amounts due to related parties (Note 31(b)(ii)).....	—	1,098	627	310
	<u>15,043</u>	<u>24,390</u>	<u>21,549</u>	<u>14,393</u>

As of the end of each of the Track Record Period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	13,889	20,698	16,444	13,924
6 months to 1 year.....	908	3,653	4,610	469
1 to 2 years	246	39	495	—
	<u>15,043</u>	<u>24,390</u>	<u>21,549</u>	<u>14,393</u>

23 Accruals and other payables

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to merchants	100,614	152,800	142,854	107,263
Amounts due to related parties (Note 31(b)(i)).....	79,237	10,251	47,764	70,570
Payroll payables.....	15,782	27,505	30,099	39,718
Deposits from merchants.....	3,780	13,698	17,609	18,279
Advances from customers	2,957	13,693	12,302	13,324
Taxes and levies payables	7,239	9,474	12,223	12,444
Other payables	36,325	66,430	47,679	55,825
	<u>245,934</u>	<u>293,851</u>	<u>310,530</u>	<u>317,423</u>

All of the accruals and other payables are expected to be settled or recognized as profit or loss within one year or are repayable on demand.

24 Equity settled share-based transactions

The Group has a share option scheme which was adopted on September 18, 2008 whereby the directors of the Group were authorized, at their discretion, to invite employees of the Group, to take up options to subscribe for shares of the Group. The options vest after five years from the date of grant and are then exercisable within a period of ten years.

(a) *The terms and conditions of the grants are as follows:*

Grant date	Number of instruments
September 18, 2008 (batch 1) *	2,075,167
April 8, 2010 (batch 2)	40,000
November 26, 2010 *	1,576,000
May 15, 2012 (batch 3)	187,500
March 18, 2014 (batch 4)	794,288
June 4, 2015 (batch 5)	1,947,000
	<u>6,619,955</u>

* Included in the options granted on September 18, 2008 and November 26, 2010, 1,678,700 share options were exercised on before January 1, 2015.

(b) *The number and weighted average exercise prices of share options are as follows:*

	As at December 31,			
	2015		2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	RMB		RMB	
Outstanding at the beginning of the year/period	0.80	2,994,255	0.80	4,941,255
Exercised during the year/period	0.80	—	0.80	(4,941,255)
Granted during the year/period	0.80	1,947,000	0.80	—
Outstanding at the end of the year/period	0.80	<u>4,941,255</u>	0.80	<u>—</u>
Exercisable at the end of the year/period		<u>2,994,255</u>		<u>—</u>

(c) *Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model.

	<u>batch 1</u>	<u>batch 2</u>	<u>batch 3</u>	<u>batch 4</u>	<u>batch 5</u>
Fair value at measurement date (RMB) ..	2.24	1.24	3.52	5.49	24.95
Exercise price (RMB)	0.80	0.80	0.80	0.80	0.80
Expected volatility	51.12%	68.39%	61.80%	53.26%	50.48%
Expected dividends	—	—	—	—	—
Risk-free interest rate	3.54%	3.91%	1.76%	2.68%	2.14%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. In 2016, the Group cancelled the service condition of the then outstanding options, and recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period in profit or loss as an acceleration of vesting.

No dividends are expected to be distributed. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

25 Income tax in the consolidated statements of financial position(a) *Current taxation in the consolidated statements of financial position represents:*

	<u>Years ended December 31,</u>			<u>Six months ended June 30,</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1,	—	565	3,376	7,768
Provision for PRC Income Tax for the year	565	4,237	8,612	7,559
PRC Income Tax paid during the year/period	—	(1,426)	(4,220)	(9,600)
At December 31/June 30	<u>565</u>	<u>3,376</u>	<u>7,768</u>	<u>5,727</u>
Representing:				
Recoverable tax	—	(819)	(60)	—
Current taxation	565	4,195	7,828	5,727

(b) *Deferred tax assets and liabilities recognized:*(i) *Movement of each component of deferred tax assets and liabilities*

The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the year are as follows:

	Deductible accumulative loss	Impairment loss	Others deductible temporary difference	Change in the fair value of short-term investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:					
At January 1, 2015.....	3,353	731	—	—	4,084
Credited/(charged) to profit or loss.....	13,121	633	(32)	—	13,722
Credited to reserves.....	—	—	—	(1,393)	(1,393)
At December 31, 2015.....	<u>16,474</u>	<u>1,364</u>	<u>(32)</u>	<u>(1,393)</u>	<u>16,413</u>
At January 1, 2016.....	16,474	1,364	(32)	(1,393)	16,413
Credited/(charged) to profit or loss.....	32,073	1,488	2,881	—	36,442
Credited to reserves.....	—	—	—	(2,538)	(2,538)
At December 31, 2016.....	<u>48,547</u>	<u>2,852</u>	<u>2,849</u>	<u>(3,931)</u>	<u>50,317</u>
At January 1, 2017.....	48,547	2,852	2,849	(3,931)	50,317
Credited/(charged) to profit or loss.....	(31,186)	3,214	(1,456)	—	(29,428)
Charged to reserves.....	—	—	—	3,252	3,252
At December 31, 2017.....	<u>17,361</u>	<u>6,066</u>	<u>1,393</u>	<u>(679)</u>	<u>24,141</u>
At January 1, 2018.....	17,361	6,066	1,393	(679)	24,141
Credited/(charged) to profit or loss.....	13,616	1,427	(261)	679	15,461
At June 30, 2018.....	<u>30,977</u>	<u>7,493</u>	<u>1,132</u>	<u>—</u>	<u>39,602</u>

(ii) *Reconciliation to the consolidated statements of financial position*

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statements of financial position	17,855	54,309	24,881	39,663
Net deferred tax liability recognised in the consolidated statements of financial position	<u>(1,442)</u>	<u>(3,992)</u>	<u>(740)</u>	<u>(61)</u>
At the end of year/period.....	<u>16,413</u>	<u>50,317</u>	<u>24,141</u>	<u>39,602</u>

(c) *Deferred tax assets not recognized*

In accordance with the accounting policy set out in Note 2(s), the Group has not recognized deferred tax assets in respect of cumulative tax loss of RMB151.4 million, RMB34.5 million, RMB38.1 million and RMB41.2 million as of December 31, 2015, 2016 and 2017 and June 30, 2018, as it is not probable that future taxable profits against which the loss can be utilized will be available in the relevant tax jurisdiction and entity. The tax loss does not expire under current tax legislation.

26 Convertible loans

In 2015, Zhongming issued convertible loans of RMB820.3 million to certain series A-1/A-2/A-3 investors.

Pursuant to the agreements, all loans can be converted into the shares of Zhongming based on the lower of (1) pre-money valuation and (2) the valuation in the next new round of financing by Zhongming during the loan period. The proportion of capital contribution shall be adjusted to avoid the shareholding percentage being diluted by the issuance of new shares or increase of registered capital. The terms of the three series loans are from six months to one year from the day when Zhongming receives all the amount and can be extended. If investors cannot convert the loan into shares of Zhongming or Zhongming fails to repay the loan before its expiring date, Zhongming shall pay an interest based on 12% simple annual interest on the actual outstanding amount until Zhongming has fully paid up the principal and interests of the loan.

On September 8, 2016, Zhongming entered into a share purchase agreement with the series A-1/A-2/A-3 investors and pursuant to which, the total convertible loans of RMB1,110.9 million were converted into financial instruments with preferred rights.

The convertible loans are carried at fair value with change in fair value recognized in the profit or loss. Zhongming recognized loss of RMB112.5 million and RMB178.1 million in the consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2015 and 2016, respectively.

The movement of the convertible loans is set out as below:

	<i>RMB'000</i>
At January 1, 2015	—
Issuance	820,284
Change in fair value	112,516
At December 31, 2015 and January 1, 2016	932,800
Change in fair value	178,071
Convert to financial instruments with preferred rights	(1,110,871)
At December 31, 2016	—

Key valuation assumption used to determine the fair value were described in Note 27.

27 Financial instruments with preferred rights

In 2016, Zhongming issued certain ordinary shares with preferred rights (“Preferred Securities”) of RMB2,342.3 million to certain series B/C investors. On September 8, 2016, Zhongming converted the loans of the series A-1/A-2/A-3 investors mentioned in Note 26 to Preferred Securities.

To rationalize the corporate structure in preparation for the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent Reorganization, as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus. The Company issued 50,774,062 ordinary shares to all the holders of Preferred Securities with a consideration of RMB2,718,541,479. A shareholders’ agreement dated May 4, 2018 (the “May 4 Shareholders’ Agreement”) was entered into among the above holders and granted to them same preferred rights in Zhongming. Meanwhile, all the preferred rights attached to Zhongming’s ordinary shares were removed.

In May 2018, the Company issued 4,404,799 ordinary shares with a consideration of US\$127,623,081 (RMB817,042,965) to Taobao China Holding Limited (“Taobao China”). A new shareholders’ agreement dated May 28, 2018 (the “May 28 Shareholders’ Agreement”) was entered into among the all above shareholders, which superseded all the previous shareholders’ agreement, including the May 4 Shareholders’ Agreement.

Set forth below are the key terms of preferred rights granted to all holders mentioned above (“holders of Preferred Securities”):

Upon the written request of each majority series of holders of Preferred Securities, Zhongming/the Company shall redeem all or any portion of the Preferred Securities, at the fourth anniversary of the series C preferred Securities issue date, if no Qualified Initial Public Offering (“QIPO”) occurs on or prior to such date. The redemption price shall be paid by Zhongming/the Company to the Preferred Securities holders in an amount calculated by the following ways, whichever is the higher: (i) one hundred percent (100%) of the original issue price on each Preferred Securities, plus the cumulative gain or loss recognized in equity according to the proportion of shares during the period from the issue date of each Preferred Securities until the redemption date; or (ii) one hundred percent (100%) of the original issue price on each Preferred Securities, plus a ten percent (10%) per annum interest of the original issue price on each Preferred Securities accrued during the period from the issue date of each Preferred Securities until the redemption date.

Based on the feature above, the Group designated the above Preferred Securities as financial liabilities at fair value through profit or loss.

Upon completion of the IPO, all preferred rights entitled to the holders of Preferred Securities will be terminated and such holders thereafter hold rights pari passu to all other ordinary shareholders.

The movement of the financial instruments with preferred rights is set out as below:

	<i>RMB'000</i>
At January 1, 2016	—
Converted from convertible loans	1,110,871
Issuance	2,342,290
Change in fair value	749,264
At December 31, 2016 and January 1, 2017	4,202,425
Change in fair value	1,049,907
At December 31, 2017 and January 1, 2018	5,252,332
Issuance	817,043
Change in fair value	2,297,296
Effect of exchange rate fluctuations	341,752
At June 30, 2018	<u>8,708,423</u>

The movement of the Company's financial instruments with preferred rights is set out as below:

	<i>RMB'000</i>
Balance at February 9, 2018 (date of incorporation)	—
Issuance	8,366,637
Change in fair value	34
Effect of exchange rate fluctuations	341,752
At June 30, 2018	<u>8,708,423</u>

The management have used the discounted cash flow method to determine the underlying share value of Zhongming before May 4, 2018 and the Company after its incorporation and adopted equity allocation model to determine the fair value of the financial instruments with preferred rights as of the dates of issuance and reporting date.

	As at December 31,			As at
	2015	2016	2017	June 30,
				2018
Discount rate	21%	19% - 20%	19%	16.5%
Risk-free interest rate	2.47%	2.85%	3.84%	2.56%
Volatility	38%	38% - 39%	39%	37%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The management estimated the risk-free interest rate based on the yield of China or US Government Bonds with a maturity life closed to period from the respective valuation dates to the expected redemption dates and liquidation dates. Volatility was estimated on each valuation date based on median of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected redemption dates and liquidation dates. Probability weight under each of the IPO, liquidation and redemption scenarios was based on the management's best estimates. In addition to the assumptions adopted above, Zhongming's projections of future performance were also factored into the determination of the fair value of Preferred Securities on each valuation date. Change in fair value of Preferred Securities were recorded in "fair value change of financial liabilities at fair value through profit or loss". The management considered that fair value change in the Preferred Securities that are attributable to changes of credit risk of this liability being not significant.

28 Capital, reserves and dividends

(a) Share capital

	Number of ordinary shares			Share capital in equity
	Without preferred rights	With preferred rights	Total	
				RMB'000
As at February 9, 2018 (date of incorporation)	—	—	—	—
Issue of ordinary shares	19,478,750	—	19,478,750	12
Issue of ordinary shares with preferred rights	—	55,178,861	55,178,861	—
As at June 30, 2018	<u>19,478,750</u>	<u>55,178,861</u>	<u>74,657,611</u>	<u>12</u>

As of December 31, 2015, 2016 and 2017, the Company has not been incorporated and no paid-in capital were recorded.

The Company was incorporated in the Cayman Islands on February 9, 2018 as part of the Reorganization with an initial authorized share capital of US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001 each. Immediately after its incorporation, one share was allotted and issued.

In May 2018, Mr. Wang, through Wang Family Limited Partnership, subscribed 19,478,749 ordinary shares of the Company at a consideration of RMB12,424 (US\$1,948). Other shareholders subscribed 55,178,861 ordinary shares of the Company with aggregated consideration of RMB3,535,584,443. The ordinary shares issued to other shareholders are attached with preferred rights pursuant to the May 28 Shareholders' Agreement and are designated as financial instruments with preferred rights (see note 27).

(b) *Reserves*

- (i) For the purpose of the Historical Financial Information, the aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates were recorded as capital reserve, after elimination of investments in subsidiaries.
- (ii) On November 5, 2014, BabyTree Trading established Meitun Meiwu in Shanghai as a wholly foreign-owned enterprise and injected RMB12,237,600 on January 16, 2015.
- (iii) On May 10, 2016, BabyTree Trading injected RMB52,554,400 to Meitun Meiwu.

On May 30, 2016, BabyTree Trading established Haitun International in Shanghai as a wholly foreign-owned enterprise and injected RMB2,012,891.

In 2016, Mr. Wang Huainan repaid the loan of RMB10,000,000 under the Previous VIE Structure and injected RMB503,700,000 to Zhongming for the purpose of reorganization.

In 2016, Mr. Wang Huainan and Mr. Wei Xiaowei repaid the loan of RMB5,000,000 under the Previous VIE Structure.

On May 23, 2018, Lingheng Investment, an affiliate of Xinxin Xiangrong, subscribed for equity interest in Zhongming in the amount of RMB6,493,053, representing 10.82% of the total registered share capital of Zhongming, and became one of the registered shareholders of Zhongming.

- (iv) In 2016, Zhongming acquired the entire equity interest in Meitun Mama, Meitun Meiwu and Haitun International at a total cash consideration of RMB154,869,990.

In 2017, Zhongming acquired the entire equity interest in BabyTree Information from BabyTree Inc. at a cash consideration of RMB2,836,339,600.

For the purpose of the preparation of Historical Financial information, the above consideration of RMB154,869,990 and RMB2,836,339,600 in connection with the acquisitions are recorded within equity as deemed distribution arising from reorganization.

(c) *Dividends*

During the years of 2015, 2016 and 2017 and six months ended June 30, 2018, no dividends were declared by the entities comprising the Group to its owners.

(d) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(e) *Movements in components of equity*

The changes of each component of the Group's consolidated equity during the Track Record Period is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of equity since its date of incorporation to June 30, 2018 are set out below:

	Note	Share capital	Capital reserve	Translation reserves	Accumulated loss	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at February 9, 2018 (date of incorporation)		—	—	—	—	—
Changes in equity for 2018:						
Loss for the period		—	—	—	(1,785)	(1,785)
Other comprehensive income.....		—	—	(212,449)	—	(212,449)
Total comprehensive income.....		—	—	(212,449)	(1,785)	(214,234)
Capital injection from owners of the Company	28(a)	12	—	—	—	12
Exemption of subsidiaries' liabilities	(i)	—	(4,831,055)	—	—	(4,831,055)
Balance at June 30, 2018 ...		12	(4,831,055)	(212,449)	(1,785)	(5,045,277)

- (i) As part of the Reorganization, the Company issued ordinary shares with preferred rights to the holders mentioned in Note 27 with same terms and removed the preferred rights attached to Zhongming's ordinary shares. The difference between the consideration received for the issuance and the fair value of the financial instrument with preferred rights was deemed to be an exemption of subsidiaries' liabilities and recorded as capital reserve of the Company.

29 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and structured deposit is limited because the counterparties are banks and financial institutions with a minimum credit rating, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-90 days from the date of billing or within 60-120 days from the date the advertisement posts. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2015, 2016 and 2017 and June 30, 2018, 47.1%, 43.1%, 49.0% and 44.2% of the total trade receivables was due from the Group's five largest customers. These customers were mainly 4A advertisement agent companies with diversified end-customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at June 30, 2018:

	Expected loss	Gross carrying amount	Loss allowance
Current (not past due).....	0.4%	238,670	955
1-90 days past due.....	5%	28,377	1,419
91-180 days past due.....	12%	16,856	2,023
181-270 days past due.....	45%	11,162	5,023
271-360 days past due.....	85%	1,562	1,328
More than 365 days past due.....	100%	3,643	3,643

Expected loss rates are based on actual loss experience over the past 365 days. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to January 1, 2018, an impairment loss was recognized only when there was objective evidence of impairment (see note 2(j)(ii) — policy applicable prior to January 1, 2018). At December 31, 2017, trade receivables of RMB10,988 thousands was determined to be impaired.

Trade debtors that are neither individually nor collectively considered to be impaired amounted to RMB0.3 million, RMB0.6 million, nil and nil as of December 31, 2015, 2016 and 2017 and June 30, 2018. It mainly represented the amounts due from the related parties and the management believe the amounts can be recovered in the near future.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at the beginning of the year/period under IAS 39.....	10,988	9,463
Impact on initial application of IFRS 9 (note2(b)).....	—	—
Adjusted balance at 1 January.....	10,988	9,463
Amounts written off during the year/ period.....	(661)	(45)
Impairment loss recognized during the year/ period.....	3,898	1,570
Balance at end of the year/ period.....	14,225	10,988

(b) *Liquidity risk*

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As of December 31, 2015, 2016 and 2017 and June 30, 2018, convertible loans and financial instruments with preferred rights were classified as non-current liabilities because the Group believes the likelihood of the occurrence of redemption event is remote.

(c) *Currency risk*

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars. The Group manages this risk as follows:

(i) *Recognized assets and liabilities*

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded. The currencies giving rise to this risk is primarily US\$.

	Exposure to foreign currencies (expressed in RMB)			
	As at December 31,			As at
	2015	2016	2017	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and other receivables	9,968	106,138	165,317	—
Cash and cash equivalents.....	14	26,298	3,216	3,224
Accruals and other payables.....	(42,399)	(41,457)	(61,631)	(10,784)
Gross exposure arising from recognized assets and liabilities	<u>(32,417)</u>	<u>90,979</u>	<u>106,902</u>	<u>(7,560)</u>

(iii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after tax and accumulated loss that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at December 31,				As at June 30,			
	2015		2016		2017		2018	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		RMB'000		RMB'000		RMB'000		RMB'000
USD	5% (5%)	(1,621) 1,621	5% (5%)	4,549 (4,549)	5% (5%)	5,345 (5,345)	5% (5%)	(378) 378

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis during the Track Record Period.

(d) *Fair value measurement*

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurements of the Group's available-for-sale financial assets (investments in wealth management products), available-for-sale equity securities, convertible loans and financial instruments with preferred rights are categorized into the following level in the fair value hierarchy:

	Fair value at December 31, 2015 <i>RMB'000</i>	Fair value measurement as of December 31, 2015 categories into		
		Level 1	Level 2	Level 3
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Short-term Investment	305,571	—	305,571	—
Equity securities	4,000	—	—	4,000
Liability				
Convertible loans.....	<u>(932,800)</u>	<u>—</u>	<u>—</u>	<u>(932,800)</u>
	Fair value at December 31, 2016 <i>RMB'000</i>	Fair value measurement as of December 31, 2016 categories into		
		Level 1	Level 2	Level 3
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Short-term Investment	3,214,334	—	3,214,334	—
Equity securities	4,000	—	—	4,000
Liability				
Financial instruments with preferred rights	<u>(4,202,425)</u>	<u>—</u>	<u>—</u>	<u>(4,202,425)</u>
	Fair value at December 31, 2017 <i>RMB'000</i>	Fair value measurement as of December 31, 2017 categories into		
		Level 1	Level 2	Level 3
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Short-term Investment	517,556	—	517,556	—
Equity securities	7,323	—	—	7,323
Liability				
Financial instruments with preferred rights	<u>(5,252,332)</u>	<u>—</u>	<u>—</u>	<u>(5,252,332)</u>

	Fair value at June 30, 2018 <i>RMB'000</i>	Fair value measurement as of June 30, 2018 categories into		
		Level 1	Level 2	Level 3
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Equity securities	9,236	—	—	9,236
Liability				
Financial instruments with preferred rights	<u>(8,708,423)</u>	<u>—</u>	<u>—</u>	<u>(8,708,423)</u>

During the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, there were no transfers between Level 1 and Level 2, or transfers into nor out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurement

Investments in wealth management products are measured at fair values in the consolidated statements of financial position. The Group benchmarks the costs against fair values of comparable investments as of the end of each reporting period, and categorized all fair value measures of bank financial products as Level 2 of the fair value hierarchy because they are valued using directly or indirectly observable inputs in the market place.

Valuation techniques and inputs used in Level 3 fair value measurement

— Equity securities

The carrying amount of equity securities are measured at fair values in the consolidated statements of financial position as of December 31, 2015, 2016, and 2017 and June 30, 2018. The Group's equity securities are mainly investments in unlisted companies. The Group determine the fair value by reference to the recent transaction pricing for the entities or similar transactions in similar entities in same industry.

As of December 31, 2015, 2016, and 2017, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity securities by 1% would have decrease/increase the Group's other comprehensive income by RMB0.04 million, RMB0.04 million, RMB0.07 million, respectively. As of June 30, 2018, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity securities by 1% would have decreased/increased the Group's loss before tax by RMB0.09 million as IFRS 9 applied.

The movements of equity securities during the Track Record Period in the balance of these Level 3 fair value measurements are as follows:

	Years ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities:				
At January 1	—	4,000	4,000	7,323
Addition	4,000	—	7,323	1,913
Impairment	—	—	(4,000)	—
At December 31/June 30	<u>4,000</u>	<u>4,000</u>	<u>7,323</u>	<u>9,236</u>

The net unrealized gains arising from the remeasurement of the unlisted available-for-sale equity securities during the years of 2015, 2016 and 2017 were recognized in fair value reserve in other comprehensive income under IAS 39. And the fair value change of equity securities during the six months ended June 30, 2018 was recognized to profit or loss under IFRS9.

— Convertible loans and financial instruments with preferred rights

The Group adopted an equity allocation model to estimate the fair value of the convertible loans as of December 31, 2015 and financial instruments with preferred rights as of December 31, 2016 and 2017 and June 30, 2018 and each conversion date.

Fair value of the convertible loans and financial instruments with preferred rights is affected by changes in the Company's equity value. If the Company's value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 would have been approximately RMB51.6 million higher/ RMB52.1 million lower, RMB330.1 million higher/ RMB331.5 lower, RMB152.0 million lower/ RMB153.3 million higher, RMB2.0 million lower/ RMB3.5 million higher, respectively.

The movements during the Track Record Period in the balance of convertible loans and financial instruments with preferred rights were set in Note 26 and Note 27, respectively.

The remeasurement of the convertible loans and financial instruments with preferred rights are presented in "Fair value change of financial liabilities at fair value through profit or loss" in the consolidated statement of profit or loss.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as of December 31, 2015, 2016 and 2017 and June 30, 2018.

30 Commitments

As of December 31, 2015, 2016 and 2017 and June 30, 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year.....	27,049	31,881	21,646	24,285
After 1 year but within 5 years.....	44,033	33,304	14,428	29,887
Total	<u>71,082</u>	<u>65,185</u>	<u>36,074</u>	<u>54,172</u>

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of 1 to 5 years. None of the leases includes contingent rentals.

31 Material related party transactions**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits.....	6,145	8,583	11,707	5,176
Post-employment benefits	303	320	394	209
Equity compensation benefits.....	<u>1,137</u>	<u>50,097</u>	<u>—</u>	<u>—</u>
	<u>7,585</u>	<u>59,000</u>	<u>12,101</u>	<u>5,385</u>

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) *Related party balances and transactions*

The related parties of the Company and its subsidiaries that had transactions with the Company and its subsidiaries are as follows:

Names of related parties	Nature of relationship
BabyTree Inc.	Holding company of the Operating Entities before reorganization and controlled by an Executive Director after reorganization
BabyTree Trading	Controlled by BabyTree Inc.
BabyTree (Beijing) Advisory Co., Ltd. 寶寶樹 (北京) 諮詢有限公司 * (note)	Controlled by BabyTree Inc.
Beijing BabyTree Market Consultant Co., Ltd. 北京寶寶樹市場顧問有限公司 * (note)	Controlled by BabyTree Inc.
Taobao (China) Software Co., Ltd 淘寶 (中國) 軟件有限公司	Controlled by entity who has significant influence on the Company
Hangzhou Yihong Advertising Co., Ltd. 杭州易宏廣告有限公司 *	Controlled by entity who has significant influence on the Company
Hangzhou Ali Mama Software Service Co., Ltd. 杭州阿裡媽媽軟件服務有限公司 *	Controlled by entity who has significant influence on the Company
BabyTree (Tianjin) Media and Technology Co., Ltd. 寶寶樹 (天津) 傳媒科技有限公司 * (note)	Controlled by BabyTree Inc.
Beijing Qiyuji Culture and Media Co., Ltd.	Associate of the Group
Mr. Wang Huainan	Executive director/Key management personnel
Mr. Xu Chong	Executive director/Key management personnel
Mr. Wei Xiaowei	Key management personnel

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

Related party balances

(i) Non-trade balance with related parties:

	Note	As at December 31,			As at
		2015	2016	2017	June 30,
		RMB'000	RMB'000	RMB'000	2018
					RMB'000
Amounts due to entities controlled by members of key management personnel.....	(a)	(79,237)	(10,251)	(47,764)	(70,570)
Amounts due from members of key management personnel ...		7,888	—	—	—
Amounts due from entities controlled by members of key management personnel.....	(a)	84,160	108,846	157,317	188,773

(a) During the Track Record Period, for operational convenience, BabyTree Trading helped the Group to settle the balance of the customers and supplies of international orders. These balances are planned to be settled before the listing.

The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms. The amounts due to related parties are included in “Accruals and other payables” (Note 23) and the amounts due from related parties are included in “Prepayments and other receivables” (Note 19).

On June 1, 2018, Zhongming granted BabyTree Information a loan in the amount of RMB2,718,538,767, which in turn provided a loan in the same amount to Mr. Wang. The loan was provided to Mr. Wang to facilitate Mr. Wang's purchase of equity interests in Zhongming from certain shareholders of Zhongming. The loans arrangement was part of the reorganization and detailed described in the section headed “Pre-IPO Reorganization”, and the loan to Mr. Wang is treated as deemed investment to Zhongming, and eliminated when preparing consolidated financial statements of the Group.

(ii) Trade balances with related parties:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	300	608	—	—
Trade payables	—	(1,098)	(627)	(310)

Related party transactions

The following is a summary of material related party transactions. In the directors' opinion, these transactions were carried out in the ordinary course of business.

	Note	As at December 31,			As at June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Commission paid for international orders.....	(i)(a)	838	3,194	3,968	2,288	1,088
Video production	(ii)(a)	—	1,273	1,671	79	1,089
Advertising service		—	131	39	39	18,938
Marketplace revenue		—	505	189	189	—
Loan from and repaid to related party		—	—	—	—	49,000

(a) The Group engaged an associate to produce videos during the Track Record Period.

In 2016, the Group deposited RMB72.9 million to Xiamen international bank Beijing branch to secure the bank loan by BabyTree Trading. The bank loan was settled in 2017 and the restriction on the deposit was released accordingly (Note 21(a)).

32 Financial position of the Company

(a) *Investment in subsidiary*

	Note	As at June 30, 2018
		RMB'000
Investment in subsidiary	(i)	<u>2,773,485</u>

- (i) The Company's investment in subsidiary was USD419.2 million, equivalent to approximately RMB2,773.5 million as of June 30, 2018.

(b) *Cash and cash equivalents*

	As at June 30, 2018
	<u>RMB'000</u>
Cash and cash equivalents	<u>862,631</u>

As of June 30, 2018, the majority of the Company's cash and cash equivalent were denominated in USD.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2018

Up to the date of this report, the IASB has issued a few amendments and new standards which are not yet effective for the accounting period beginning on January 1, 2018 and which have not been adopted in the Historical Financial Information. These include the following.

	Effective for accounting periods beginning on or after
Amendments to IAS19, Plan amendment, curtailment or settlement	January 1, 2019
IFRS 16, Leases.....	January 1, 2019
IFRIC 23, Uncertainty over income tax treatments	January 1, 2019
Amendments to IAS 28, Long-term interest in associates and joint ventures ..	January 1, 2019
Annual Improvements to IFRS 2015-2017 Cycle	January 1, 2019
IFRS 17, Insurance Contracts	January 1, 2021
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has not identified any aspects of the new standards which may have a significant impact on the consolidated financial information. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's financial report for the next financial period. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. During the Track Record Period, all lease contracts are accounted for as operating leases based on the terms of the lease. The Group enters into these leases as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for office premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statements of profit or loss over the period of the lease. As disclosed in Note 30, at December 31, 2015, 2016 and 2017 and June 30, 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB71.1 million, RMB65.2 million, RMB36.1 million and RMB54.2 million for office premises respectively. Some of these amounts may therefore need to be recognized as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking

into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting. Based on the preliminary assessment, the adoption of IFRS 16 is not expected to have a material impact on its net assets in consolidated financial information.

The Group will not consider the early adoption of IFRS 16 before its effective date of January 1, 2019.

34 Non-adjusting events after the reporting period

At September 3, 2018, Meitun Mama, Chongqing Zhongan Microcredit Co., Ltd., Zhangxingbao (Shanghai) Network Technology Co., Ltd. and Ningbo Xingtu Industrial Investment LLP (Limited partnership) have incorporated a company named Shanghai Xiaojia Finance Technology Services Co., Ltd. ("Xiaojia Finance") in Shanghai. The registered capital of Xiaojia Finance is RMB30,000,000 and Meitun Mama holds 86% of its shares. The paid-in capital of Xiaojia Finance as of the date of this report is RMB15,000,000 and Meitun Mama has paid RMB12,900,000 at September 26, 2018.

Pursuant to the resolutions of the equity shareholders of the Company passed on November 1, 2018 as detailed in the section headed "Statutory and General Information" set out in the Prospectus, the directors of the Company were authorised to allot and issue a total of 1,343,836,998 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company at the close of business on November 1, 2018 by way of capitalisation of the sum of US\$134,383.70 standing to the credit of the share premium account of the Company, and these shares to be allotted and issued rank pari passu in all respects with the shares in issue.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to June 30, 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I in 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 STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible liabilities attributable to equity owners of the Company as if it had taken place on June 30, 2018. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at June 30, 2018 or at any future dates.

	Consolidated net tangible liabilities attributable to equity owners of the Company as at June 30, 2018 ⁽ⁱ⁾	Estimated net proceeds from the Global Offering ⁽ⁱⁱ⁾	Estimated impact upon the termination of the financial instruments with preferred rights ⁽ⁱⁱⁱ⁾	Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share ^(iv)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$ ^(v)
Based on an offer price HK\$6.12 per Offer Share, after a Downward Offer Price Adjustment of 10% ..	(6,880,809)	1,277,974	8,708,423	3,105,588	1.86	2.10
Based on an Offer Price of HK\$6.80 per Offer Share ..	(6,880,809)	1,424,140	8,708,423	3,251,754	1.95	2.20
Based on an Offer Price of HK\$8.80 per Offer Share ..	(6,880,809)	1,854,041	8,708,423	3,681,655	2.21	2.50

Notes:

- (i) The consolidated net tangible liabilities attributable to equity owners of the Company as at June 30, 2018 is based on the consolidated net liabilities of our Group of RMB6,876.2 million as at June 30, 2018 after deduction of intangible assets of RMB4.6 million as shown in the Accountants' Report as set out in Appendix I in this prospectus.
- (ii) The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK\$6.80 per Offer Share (being the minimum Offer Price) or HK\$8.80 per Offer Share (being the maximum Offer Price) and also based on an Offer Price of HK\$6.12 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the underwriting fees and related listing expenses payable by the Group and 250,323,000 Shares expected to be issued under the Global Offering, takes no account of any Shares that may be issued upon exercise of Over-allotment Option.

The estimated net proceeds from the Global Offering is converted into Renminbi at an exchange rate of HK\$ 1.1295 to RMB1 published by PBOC prevailing on November 2, 2018. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.

- (iii) The carrying amount of financial instruments with preferred rights was RMB8,708.4 million as of June 30, 2018 (as set out in Note 27 of Appendix I in this prospectus). Upon the Listing, preferred rights will be removed and the financial instruments with preferred rights will be re-designated from liabilities to equity.
- (iv) The unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share is arrived at after adjustments as described in notes (ii) and (iii) and on the basis that 1,668,817,609 Shares were in issue assuming that the Global Offering completed on June 30, 2018 without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option.
- (v) The unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.1295 to RMB1 published by PBOC prevailing on November 2, 2018. No representation is made that Reminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate or at all.
- (vi) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company to reflect any trading results or other transactions of the Group subsequent to June 30, 2018.

(B) REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF BABYTREE GROUP**

We have completed our assurance engagement to report on the compilation of pro forma financial information of BabyTree Group (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at June 30, 2018 and related notes as set out in Part A of Appendix II to the prospectus dated November 15, 2018 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at June 30, 2018 as if the Global Offering had taken place at June 30, 2018. As part of this process, information about the Group's financial position as at June 30, 2018 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at June 30, 2018 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 event or 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or 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.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds " in the Prospectus.

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 purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

November 15, 2018

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on November 1, 2018 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on November 1, 2018 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$960,000 divided into 9,600,000,000 shares of US\$0.0001 each.

2.2 *Directors***(a) *Power to allot and issue Shares***

Subject to the provisions of the Companies Law and the Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature

of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by

ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed

for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 *Special resolution—majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed,

by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the

manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

The Directors may, whenever they think fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and SFC. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 *Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares,

together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 *Rights of minorities in relation to fraud or oppression*

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 *Procedure on liquidation*

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 *Untraceable members*

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 February 2018 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or 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 a company, subject to the provisions, if any, of its Articles of Association, in such manner as the company may from time to time determine including, but without limitation:

- (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) in 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;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits, and a dividend can be paid provided there is a profit on the current financial year under review, without the requirement to make good losses from a prior financial year. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's Articles of Association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's Articles of Association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their

undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on February 9, 2018. Our registered office address is at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Articles are subject to the relevant laws of Cayman Islands. A summary of our Articles is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix III to this Prospectus.

Our registered place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 6, 2018 with the Registrar of Companies in Hong Kong. Ms. HO Siu Pik has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

As at the date of this Prospectus, our Company's head office is located on the 6th Floor, Borui Plaza, Building A, No.26 North Road of East Third Ring, Chaoyang District, Beijing, PRC.

2. Changes in Share Capital of the Company

On February 9, 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of the Company's incorporation, the authorized share capital of the Company was divided into 500,000,000 Shares with par value of US\$0.0001 each. Immediately after its incorporation, one Share was allotted and issued to its initial subscriber, who on the same day transferred the Share to Golden Leaf Holdings Limited, which is a wholly-owned company of Mr. Wang.

On May 18, 2018, our Shareholders subscribed for in aggregate 67,266,508 Shares. Upon completion of the subscription, our issued share capital was increased to US\$6,726.7.

On May 28, 2018, Taobao China subscribed for 4,404,799 Shares and purchased 2,986,304 Shares from Jumei International. Upon completion of the subscription and the transfer, our issued share capital was increased to US\$7,465.8.

On November 1, 2018, we increased our authorized share capital to US\$960,000, divided into 9,600,000,000 Shares with par value of US\$0.0001 each.

Please see "History, Reorganization and Corporate Structure—Pre-IPO Reorganization" in this Prospectus for details of the Pre-IPO Reorganization.

Please see "Share Capital" in this Prospectus for details of our share capital following completion of the Capitalization Issue and the Global Offering.

Save as disclosed above, there has been no alteration in the share capital of the Company since its incorporation.

3. Changes in Share Capital of Our Subsidiaries and Consolidated Affiliated Entity

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 of the Accountants' Report in Appendix I to this Prospectus.

The following changes in the share capital of our subsidiaries and Consolidated Affiliated Entity have taken place within the two years immediately preceding the date of this Prospectus:

Our Subsidiaries

BabyTree BVI

On February 9, 2018, BabyTree BVI was incorporated in the BVI. On February 24, 2018, one share of BabyTree BVI was allotted and issued to the Company.

BabyTree Hong Kong

On March 5, 2018, BabyTree Hong Kong was incorporated in Hong Kong. Upon its incorporation, one share of BabyTree Hong Kong was allotted and issued to BabyTree BVI.

BabyTree Information

On July 15, 2016, BabyTree Inc. transferred all the equity interest of BabyTree Information to Zhongming.

On March 7, 2018, Mr. LEE Chi Pang (“**Mr. Lee**”), an employee of BabyTree Information, purchased 1% equity interest in BabyTree Information from Zhongming.

On May 10, 2018, Zhongming and Mr. Lee transferred 99% and 1% equity interest in BabyTree Information to BabyTree Hong Kong, respectively.

Meitun Mama

On November 15, 2016, Mr. Wang and Mr. WEI Xiaowei transferred 90% and 10% equity interest in Meitun Mama to Zhongming, respectively.

On May 9, 2018, Zhongming transferred all the equity interest of Meitun Mama to BabyTree Information.

Wuhan Meitun

On April 13, 2017, Wuhan Meitun was a company established under the laws of the PRC. As at the date of its establishment, its registered capital was RMB1,000,000 and was wholly owned by Meitun Mama. There has been no share capital changes since its establishment as of the Latest Practicable Date.

Haitun International

On August 18, 2016, BabyTree Trading Limited (“**BabyTree Trading**”) transferred all the equity interest of Haitun International to Meitun Mama.

Meitun Meiwu

On September 14, 2016, BabyTree Trading transferred all the equity interest of Meitun Meiwu to Meitun Mama.

Xiaojia Finance

Xiaojia Finance was established on September 3, 2018 and has been held as to 86%, 8%, 5.7% and 0.3% by Meitun Mama, Chongqing Zhongan Microcredit Co., Ltd. (重慶眾安小額貸款有限公司), Zhangxingbao (Shanghai) Network Technology Co., Ltd. (掌星寶(上海)網絡科技有限公司) and Ningbo Xingtu Industrial Investment LLP (limited partnership) (寧波星途實業投資合夥企業(有限合夥)), respectively, since the date of establishment and as of the Latest Practicable Date.

*Consolidated Affiliated Entity**Zhongming*

On September 8, 2016, Beijing Chuangrui, Shenzhen Huagai, Mr. Shao Zhenping, Gongqingcheng Heyu, Qianhe Investment, Beijing Shuanghu, Shanghai Shitian, Shanghai Chuangji, Suzhou Yumei Zhonghe, Tianjin Feizhu subscribed for approximately 17.69%, 8.84%, 7.78%, 5.26%, 4.50%, 4.50%, 3.75%, 2.25%, 2.25% and 0.75% equity interest in Zhongming, respectively. Upon completion of the subscription, the registered capital of Zhongming was increased from RMB10,000,000 to RMB23,571,600.

On October 17, 2016, Qianhe Investment transferred approximately 4.50% equity interest in Zhongming to Shanghai Zhangting.

On October 17, 2016, Ningbo Bowen transferred approximately 0.58% equity interest in Zhongming to Ningbo Danfu.

On October 17, 2016, Ningbo Zhishan transferred approximately 0.26% equity interest in Zhongming to Mr. Wang.

During the period from May to October 2016, each of Yadong Xinwei, Mr. Wang, Xinxin Xiangrong, Ningbo Zhaoyin, Tianjin Chenshan, Shanghai Chuangji, Qingdao Zhaojin, Hangzhou Binchuang, Beijing Haoweilai and Ningbo Danfu subscribed for approximately 24.00%, 10.00%, 7.91%, 3.75%, 3.71%, 3.19%, 1.19%, 0.94%, 0.75% and 0.49% equity interest in Zhongming, respectively. Upon completion of the subscription, the registered capital of Zhongming was increased from RMB23,571,600 to RMB53,498,360.

On December 30, 2016, Gongqingcheng Heyu, Beijing Shuanghu, Shanghai Zhangting and Tianjin Feizhu transferred approximately 0.85%, 0.72%, 0.72% and 0.24% equity interest in Zhongming to Xinxin Xiangrong, respectively.

On August 6, 2017, Shanghai Zhangting transferred approximately 0.21% and 0.06% equity interest in Zhongming to Hangzhou Tongyuan and Ningbo Yimengweima, respectively.

On August 6, 2017, Tianjin Feizhu transferred approximately 0.068% and 0.02% equity interest in Zhongming to Hangzhou Tongyuan and Ningbo Yimengweima, respectively.

On August 6, 2017, Gongqingcheng Heyu transferred approximately 0.23% and 0.07% equity interest in Zhongming to Hangzhou Tongyuan and Ningbo Yimengweima, respectively.

On August 6, 2017, Beijing Shuanghu transferred approximately 0.21% and 0.06% equity interest in Zhongming to Hangzhou Tongyuan and Ningbo Yimengweima, respectively.

On August 6, 2017, Duilong Deqing Yumei transferred approximately 0.38% and 0.19% equity interest in Zhongming to Tianjin Dingmao and Tianjin Wuchen, respectively.

On August 6, 2017, Ningbo Zhishan transferred approximately 0.11% equity interest in Zhongming to Ningbo Yimengweima.

On August 6, 2017, Yadong Xinwei transferred approximately 0.04% equity interest in Zhongming to Mr. WANG Changying.

On November 21, 2017, Shanghai Shitian transferred approximately 1.65% equity interest in Zhongming to Mr. SHAO Zhenping.

On February 22, 2018, Tianjin Chenshan transferred approximately 1.85% and 1.85% equity interest in Zhongming to Yadong Xinwei and Mr. Wang, respectively.

On February 22, 2018, Gongqingcheng Heyu transferred approximately 0.58% and 0.58% equity interest in Zhongming to Yadong Xinwei and Mr. Wang, respectively.

On April 24, 2018, Qingdao Zhaojin transferred all its equity interest in Zhongming to Beijing Lujin.

On April 24, 2018, Beijing Haoweilai transferred approximately 0.38% and 0.38% equity interest in Zhongming to Xinxin Xiangrong and Shanghai Noah, respectively.

On April 24, 2018, Shanghai Zhangting transferred approximately 0.99% equity interest in Zhongming to Mr. WANG Yawei.

On May 23, 2018, Yadong Xinwei, Xinxin Xiangrong, Beijing Chuangshui, Shanghai Chuangji, Shenzhen Huagai, Ningbo Zhaoyin, Beijing Shuanghu, Hangzhou Binchuang, Ningbo Danfu, Hangzhou Tongyuan, Duilong Deqing Yumei, Shanghai Noah, Tianjin Dingmao and Tianjin Wuchen transferred approximately 26.39%, 10.82%, 7.79%, 4.18%, 3.90%, 3.75%, 0.99%, 0.94%, 0.75%, 0.72%, 0.43%, 0.38%, 0.38% and 0.19% equity interest in Zhongming to Mr. Wang, respectively.

On May 23, 2018, Lingheng Investment subscribed for 10.82% equity interest in Zhongming. Upon completion of the subscription, the registered capital of Zhongming was increased from RMB53,498,360 to RMB59,991,413.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries or Consolidated Affiliated Entity of the Company within the two years immediately preceding the date of this Prospectus.

4. Resolutions in Writing of Our Shareholders Passed on November 1, 2018

- (i) Pursuant to written resolutions of the Shareholders of our Company passed on November 1, 2018:
 - (a) our Company approved and adopted the Memorandum of Association and Articles, which will come into effect upon the Listing;
 - (b) conditional upon (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in the Shares in issue and to be issued pursuant to the Capitalization Issue, the Global Offering and the exercise of the Over-allotment Option; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators) (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
 - (1) the Global Offering was approved and our Directors were authorized to effect the same and to allot and issue the new Shares pursuant to the Global Offering;
 - (2) the proposed listing of the Shares on the Stock Exchange as mentioned in this Prospectus was approved and our Directors were authorized to implement such listing;

- (3) the Over-allotment Option was approved and the Directors were authorized to effect the same and to allot and issue up to 37,548,000 Shares upon the exercise of the Over-allotment Option; and
- (c) a general unconditional mandate was granted to our Directors to, inter alia, issue, allot and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors shall not exceed the aggregate of:
 - (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
 - (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The total nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to:

- (1) a rights issue;
- (2) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; or
- (3) any specific authority granted by the Shareholders in general meeting.

This general mandate to issue Shares will expire at the earliest of:

- (1) the conclusion of our next annual general meeting;
- (2) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (3) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option). This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules and all applicable laws. Such mandate will expire at the earliest of:
- (1) the conclusion of our next annual general meeting;
 - (2) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
 - (3) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option).

5. Reorganization

The companies comprising our Group underwent the Pre-IPO Reorganization in preparation for the listing of the Shares on the Stock Exchange. Please refer to the section headed “History, Reorganization and Corporate Structure” in this Prospectus for further details.

6. Particulars of Our Subsidiaries

Particulars of our subsidiaries are set out at Note 1 of the Accountants’ Report in Appendix I to this Prospectus.

7. Restriction on Share Repurchase

(i) *Provisions of the Hong Kong Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the Shareholders of our Company on November 1, 2018, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(c) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are

in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) *Status of Repurchased Shares*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(e) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) *Core Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(ii) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(iii) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this Prospectus in the event that the Buyback Mandate is exercised in full.

(iv) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,668,817,609 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 166,881,761 Shares being repurchased by our Company during the period until:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (c) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(v) *General*

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by the Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Capitalization Issue and the Global Offering (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 166,881,761 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, under the circumstances, there would be insufficient public float.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this Prospectus that are or may be material:

- (i) a subscription agreement dated May 4, 2018 entered into by and between Wang Family Limited Partnership and our Company, pursuant to which Wang Family Limited Partnership agreed to subscribe for 19,478,749 Shares for a consideration of US\$1,948;
- (ii) a subscription agreement dated May 4, 2018 entered into by and between Startree (BVI) Limited and our Company, pursuant to which Startree (BVI) Limited agreed to subscribe for 18,540,431 Shares for a consideration of RMB1,386,105,853;

- (iii) a subscription agreement dated May 4, 2018 entered into by and between Jumei International and our Company, pursuant to which Jumei International agreed to subscribe for 5,474,245 Shares for a consideration of RMB351,550,469;
- (iv) a subscription agreement dated May 4, 2018 entered into by and between Tenzing Holdings 2011, Ltd. and our Company, pursuant to which Tenzing Holdings 2011, Ltd. agreed to subscribe for 3,569,484 Shares for a consideration of US\$425,673.00;
- (v) a subscription agreement dated May 4, 2018 entered into by and between Tembusu Nest Limited and our Company, pursuant to which Tembusu Nest Limited agreed to subscribe for 2,937,804 Shares for a consideration of US\$29,702,921.17;
- (vi) a subscription agreement dated May 4, 2018 entered into by and between HG Capital China Growth Fund I LP and our Company, pursuant to which HG Capital China Growth Fund I LP agreed to subscribe for 2,737,123 Shares for a consideration of US\$27,679,832.00;
- (vii) a subscription agreement dated May 4, 2018 entered into by and between CMFHK Alternative Opportunity Investment IV Limited and our Company, pursuant to which CMFHK Alternative Opportunity Investment IV Limited agreed to subscribe for 2,636,128 Shares for a consideration of US\$264;
- (viii) a subscription agreement dated May 4, 2018 entered into by and between Lush Forests Limited and our Company, pursuant to which Lush Forests Limited agreed to subscribe for 2,127,054 Shares for a consideration of US\$213;
- (ix) a subscription agreement dated May 4, 2018 entered into by and between Yuxin Shengtai Investments Limited and our Company, pursuant to which Yuxin Shengtai Investments Limited agreed to subscribe for 838,735 Shares for a consideration of RMB60,135,769;
- (x) a subscription agreement dated May 4, 2018 entered into by and between Grand Genesis Enterprises Corporation and our Company, pursuant to which Grand Genesis Enterprises Corporation agreed to subscribe for 697,095 Shares for a consideration of RMB530,840 (or in an amount in US dollars of equivalent value);
- (xi) a subscription agreement dated May 4, 2018 entered into by and between Wu Capital Limited and our Company, pursuant to which Wu Capital Limited agreed to subscribe for 697,095 Shares for a consideration of US\$83,361.86;
- (xii) a subscription agreement dated May 4, 2018 entered into by and between Bin Jiang (Hong Kong) Limited and our Company, pursuant to which Bin Jiang (Hong Kong) Limited agreed to subscribe for 659,032 Shares for a consideration of RMB501,900 (or in an amount in US dollars of equivalent value);

- (xiii) a subscription agreement dated May 4, 2018 entered into by and between Danfu Growth Limited and our Company, pursuant to which Danfu Growth Limited agreed to subscribe for 527,223 Shares for a consideration of US\$63,591.30;
- (xiv) a subscription agreement dated May 4, 2018 entered into by and between Tongjia Group and our Company, pursuant to which Tongjia Group agreed to subscribe for 504,257 Shares for a consideration of RMB384,000 (or in an amount in US dollars of equivalent value);
- (xv) a subscription agreement dated May 4, 2018 entered into by and between Good Reputation of Zhonghe Ltd and our Company, pursuant to which Good Reputation of Zhonghe Ltd agreed to subscribe for 301,676 Shares for a consideration of RMB229,550 (or in an amount in US dollars of equivalent value);
- (xvi) a subscription agreement dated May 4, 2018 entered into by and between Iconic Towers of Zhonghe Ltd and our Company, pursuant to which Iconic Towers of Zhonghe Ltd agreed to subscribe for 263,613 Shares for a consideration of RMB\$200,650 (or in an amount in US dollars of equivalent value);
- (xvii) a subscription agreement dated May 4, 2018 entered into by and between Joy Falcon Limited and our Company, pursuant to which Joy Falcon Limited agreed to subscribe for 263,613 Shares for a consideration of RMB200,750;
- (xviii) a subscription agreement dated May 4, 2018 entered into by and between Evergreen Earth Limited and our Company, pursuant to which Evergreen Earth Limited agreed to subscribe for 235,177 Shares for a consideration of US\$24;
- (xix) a subscription agreement dated May 4, 2018 entered into by and between Good Day of Zhonghe Ltd and our Company, pursuant to which Good Day of Zhonghe Ltd agreed to subscribe for 131,806 Shares for a consideration of RMB100,600 (or in an amount in US dollars of equivalent value);
- (xx) a subscription agreement dated May 4, 2018 entered into by and between Wingnou Investments Limited and our Company, pursuant to which Wingnou Investments Limited agreed to subscribe for 28,997 Shares for a consideration of US\$3,479;
- (xxi) a subscription agreement dated May 18, 2018 entered into by and between TAL Education Group and our Company, pursuant to which TAL Education Group agreed to subscribe for 7,603,474 Shares for a consideration of US dollars equivalent of RMB553,896,907;
- (xxii) the Exclusive Option and Equity Entrustment Agreement (《獨家購買權及股權託管協議》) dated May 23, 2018, entered into by and among BabyTree Information, Zhongming and the Registered Shareholders, pursuant to which (i) BabyTree Information, or any third party designated by BabyTree Information (the “**designee**”), was granted an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Zhongming and/or from Zhongming all or any part of its assets or

interests in any of its assets, for a consideration with reference to the total or relevant portion of the agreed exercise price, and (ii) the Registered Shareholders irrevocably and exclusively entrusted their equity interest in Zhongming to BabyTree Information or the designee;

- (xxiii) the Exclusive Business Cooperation Agreement (《獨家業務合作協議》) dated May 23, 2018, entered into by and among BabyTree Information, Zhongming and the Registered Shareholders, pursuant to which Zhongming and the Registered Shareholders agreed to engage BabyTree Information as Zhongming's exclusive provider of management, consultancy, technical support, business support and other services for consideration of agreed service fees;
- (xxiv) the Share Pledge Agreement (《股權質押協議》) dated May 23, 2018, entered into by and among BabyTree Information, Zhongming and the Registered Shareholders, pursuant to which, the Registered Shareholders pledged all of their equity interests in Zhongming to BabyTree Information as collateral security to guarantee performance of the contractual obligations of Zhongming and/or the Registered Shareholders under the Exclusive Option and Equity Entrustment Agreement, the Exclusive Business Cooperation Agreement and the Powers of Attorney;
- (xxv) the Loan Agreement (《借款協議》) dated May 23, 2018 in relation to a loan in the amount of RMB2,718,538,767.21 provided by BabyTree Information to Mr. Wang;
- (xxvi) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Mr. Wang and BabyTree Information, pursuant to which Mr. Wang agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of his rights as a shareholder of Zhongming;
- (xxvii) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Mr. WANG Yawei (王亞偉) and BabyTree Information, pursuant to which Mr. WANG Yawei agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of his rights as a shareholder of Zhongming;
- (xxviii) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Mr. WANG Changying (王長穎) and BabyTree Information, pursuant to which Mr. WANG Changying agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of his rights as a shareholder of Zhongming;
- (xxix) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Mr. SHAO Zhenping (邵振平) and BabyTree Information, pursuant to which Mr. SHAO Zhenping agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of his rights as a shareholder of Zhongming;
- (xxx) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Lingheng Investment and BabyTree Information, pursuant to which Lingheng Investment agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of its rights as a shareholder of Zhongming;

- (xxxix) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Ningbo Zhishan and BabyTree Information, pursuant to which Ningbo Zhishan agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of its rights as a shareholder of Zhongming;
- (xxxixii) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Beijing Lujin and BabyTree Information, pursuant to which Beijing Lujin agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of its rights as a shareholder of Zhongming;
- (xxxixiii) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Ningbo Baoshu and BabyTree Information, pursuant to which Ningbo Baoshu agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of its rights as a shareholder of Zhongming;
- (xxxixiv) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Ningbo Honghu and BabyTree Information, pursuant to which Ningbo Honghu agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of its rights as a shareholder of Zhongming;
- (xxxixv) a power of attorney (《授權委託書》) dated May 23, 2018, entered into between Ningbo Yimengweima and BabyTree Information, pursuant to which Ningbo Yimengweima agreed to, among others, authorize BabyTree Information or its designated person(s) to exercise all of its rights as a shareholder of Zhongming;
- (xxxixvi) a share subscription agreement dated May 28, 2018, entered into by and among Taobao China, Mr. WANG Huai Nan, Wang Family Limited Partnership, Zhongming, BabyTree Information, Meitun Mama and our Company, pursuant to which Taobao China agreed to subscribe for 4,404,799 Shares for a consideration of US\$127,623,081;
- (xxxixvii) a share transfer agreement dated May 28, 2018, entered into by and between Jumei International and Taobao China, pursuant to which Taobao China agreed to purchase from Jumei International 2,986,304 Shares for a consideration of US\$86,524,123; and
- (xxxixviii) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

(i) Trademarks

As of the Latest Practicable Date, our Group has registered the following trademarks in the PRC, which we consider to be or may be material to our business:

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
1.		14363845	42	BabyTree Information	PRC	November 7, 2017	November 6, 2027	Valid
2.		14363845A	42	BabyTree Information	PRC	June 21, 2015	June 20, 2025	Valid
3.		14363728	41	BabyTree Information	PRC	March 21, 2018	March 20, 2028	Valid
4.		5871012	41	BabyTree Information	PRC	June 14, 2010	June 13, 2020	Valid
5.		6380804	38	BabyTree Information	PRC	March 28, 2010	March 27, 2020	Valid
6.		12954761	35	BabyTree Information	PRC	January 7, 2015	January 6, 2025	Valid
7.		12957465	42	BabyTree Information	PRC	January 14, 2015	January 13, 2025	Valid
8.		21635566	35	BabyTree Information	PRC	December 7, 2017	December 6, 2027	Valid
9.		21634181A	9	BabyTree Information	PRC	March 7, 2018	March 6, 2028	Valid
10.		5932082	35	BabyTree Information	PRC	April 14, 2010	April 13, 2020	Valid
11.		5932083	41	BabyTree Information	PRC	June 28, 2010	June 27, 2020	Valid
12.		5932084	42	BabyTree Information	PRC	April 14, 2010	April 13, 2020	Valid

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
13.		6380795	38	BabyTree Information	PRC	March 28, 2010	March 27, 2020	Valid
14.		21634296	9	BabyTree Information	PRC	December 7, 2017	December 6, 2027	Valid
15.		21635778	35	BabyTree Information	PRC	December 7, 2017	December 6, 2027	Valid
16.	宝宝树孕育	15412929	38	BabyTree Information	PRC	November 7, 2015	November 6, 2025	Valid
17.	宝宝树孕育	15412928	41	BabyTree Information	PRC	November 7, 2015	November 6, 2025	Valid
18.	宝宝树孕育	15412927	42	BabyTree Information	PRC	November 7, 2015	November 6, 2025	Valid
19.	宝宝树孕育	15412930	35	BabyTree Information	PRC	November 7, 2015	November 6, 2025	Valid
20.		15412919A	42	BabyTree Information	PRC	November 28, 2015	November 27, 2025	Valid
21.		15412920A	41	BabyTree Information	PRC	November 28, 2015	November 27, 2025	Valid
22.		15412921A	38	BabyTree Information	PRC	November 28, 2015	November 27, 2025	Valid
23.		15412922	35	BabyTree Information	PRC	July 7, 2016	July 6, 2026	Valid
24.	宝宝树时光	15589208	35	BabyTree Information	PRC	December 14, 2015	December 13, 2025	Valid
25.	宝宝树时光	15589207	38	BabyTree Information	PRC	December 14, 2015	December 13, 2025	Valid










APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
26.	宝宝树时光	15589206	41	BabyTree Information	PRC	December 14, 2015	December 13, 2025	Valid
27.	宝宝树时光	15589205	42	BabyTree Information	PRC	December 14, 2015	December 13, 2025	Valid
28.		15412924A	41	BabyTree Information	PRC	December 21, 2015	December 20, 2025	Valid
29.		15412925A	38	BabyTree Information	PRC	November 28, 2015	November 27, 2025	Valid
30.		15412923A	42	BabyTree Information	PRC	November 28, 2015	November 27, 2025	Valid
31.		15412926	35	BabyTree Information	PRC	July 7, 2016	July 6, 2026	Valid
32.		15589201	42	BabyTree Information	PRC	December 14, 2015	December 13, 2025	Valid
33.		15589202	41	BabyTree Information	PRC	December 14, 2015	December 13, 2025	Valid
34.		15589203	38	BabyTree Information	PRC	December 14, 2015	December 13, 2025	Valid
35.		15589204	35	BabyTree Information	PRC	December 14, 2015	December 13, 2025	Valid
36.		19025900	42	BabyTree Information	PRC	March 7, 2017	March 6, 2027	Valid
37.		19025901	41	BabyTree Information	PRC	March 7, 2017	March 6, 2027	Valid

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No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
38.		19025902	38	BabyTree Information	PRC	March 7, 2017	March 6, 2027	Valid
39.		20408281	42	BabyTree Information	PRC	August 14, 2017	August 13, 2027	Valid
40.		20408152	41	BabyTree Information	PRC	August 14, 2017	August 13, 2027	Valid
41.		20407921	38	BabyTree Information	PRC	August 14, 2017	August 13, 2027	Valid
42.		20407775	35	BabyTree Information	PRC	August 14, 2017	August 13, 2027	Valid
43.		20407273	9	BabyTree Information	PRC	August 14, 2017	August 13, 2027	Valid
44.		15412921	38	BabyTree Information	PRC	November 7, 2017	November 6, 2027	Valid
45.		15412922	35	BabyTree Information	PRC	July 7, 2016	July 6, 2026	Valid
46.		15412919	42	BabyTree Information	PRC	November 7, 2017	November 6, 2027	Valid

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
47.		15412926	35	BabyTree Information	PRC	July 7, 2016	July 6, 2026	Valid
48.		21635778	35	BabyTree Information	PRC	December 7, 2017	December 6, 2027	Valid
49.		21634296	9	BabyTree Information	PRC	December 7, 2017	December 6, 2027	Valid
50.	宝宝树	21635566	35	BabyTree Information	PRC	December 7, 2017	December 6, 2027	Valid
51.	babytree	21635652	35	BabyTree Information	PRC	December 7, 2017	December 6, 2027	Valid
52.	爱囤妈妈	20231097	9	Meitun Mama	PRC	July 28, 2017	July 27, 2027	Valid
53.	爱囤妈妈	20231233	38	Meitun Mama	PRC	July 28, 2017	July 27, 2027	Valid
54.	爱囤妈妈	20231436	42	Meitun Mama	PRC	July 28, 2017	July 27, 2027	Valid
55.	美国	16220986	9	Meitun Mama	PRC	March 21, 2016	March 20, 2026	Valid
56.	美国	18402927	9	Meitun Mama	PRC	December 28, 2016	December 27, 2026	Valid
57.	美国	16221065	38	Meitun Mama	PRC	December 21, 2017	December 20, 2027	Valid
58.	美国	18403065	38	Meitun Mama	PRC	December 21, 2017	December 20, 2027	Valid
59.	美国	16221246	42	Meitun Mama	PRC	December 21, 2017	December 20, 2027	Valid
60.	美国	18404102	42	Meitun Mama	PRC	December 21, 2017	December 20, 2027	Valid
61.	美国妈妈	15694972	9	Meitun Mama	PRC	January 28, 2018	January 27, 2028	Valid

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No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
62.	美國媽媽	15695558	38	Meitun Mama	PRC	January 28, 2018	January 27, 2028	Valid
63.	美國媽媽	15695647	41	Meitun Mama	PRC	January 7, 2016	January 6, 2026	Valid
64.		21076013	9	Meitun Mama	PRC	October 21, 2017	October 20, 2027	Valid
65.		21076420	38	Meitun Mama	PRC	October 21, 2017	October 20, 2027	Valid
66.		21123568	41	Meitun Mama	PRC	October 28, 2017	October 27, 2027	Valid
67.		21076390	42	Meitun Mama	PRC	October 21, 2017	October 20, 2027	Valid

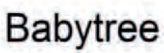
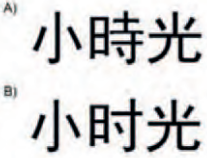






As of the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong, which we consider to be or may be material to our business:

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
1.		304481668	9, 35, 38, 41, 42 & 45	BabyTree Information	Hong Kong	August 16, 2018	April 3, 2028	Valid
2.		304481730	9, 35, 38, 41, 42, 44 & 45	BabyTree Information	Hong Kong	August 16, 2018	April 3, 2028	Valid
3.	^{A)} 美國媽媽 ^{B)} 美国妈妈	304481749	9, 35, 38, 42 & 45	BabyTree Information	Hong Kong	August 16, 2018	April 3, 2028	Valid
4.	EMITUN MAMA	304481758	9, 35, 38, 42 & 45	BabyTree Information	Hong Kong	August 16, 2018	April 3, 2028	Valid
5.	WETIME	304481776	9, 16, 35, 38, 41, 42 & 45	BabyTree Information	Hong Kong	August 16, 2018	April 3, 2028	Valid

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As of the Latest Practicable Date, our Group has applied for the registration of the following trademarks in Hong Kong, the European Union, the United States and Taiwan, which we consider to be or may be material to our business:

No.	Trademark	Application Number	Class	Name of Applicant	Intended Place of Registration	Date of Application	Status
1.		304481703	3, 5, 9, 10, 16, 35, 38, 41, 42, 44 & 45	BabyTree Information	Hong Kong	April 4, 2018	Pending
2.		304481712	3, 5, 9, 10, 16, 35, 38, 41, 42, 44 & 45	BabyTree Information	Hong Kong	April 4, 2018	Pending
3.		304481767	9, 16, 35, 38, 41, 42 & 45	BabyTree Information	Hong Kong	April 4, 2018	Pending
4.		17883221	3, 5, 9, 10, 16, 35, 38, 41, 42, 44, 45	BabyTree Information	the European Union	April 3, 2018	Pending
5.		17883223	3, 5, 9, 10, 16, 35, 38, 41, 42, 44, 45	BabyTree Information	the European Union	April 3, 2018	Pending
6.		17883226	9, 35, 38, 41, 42, 44, 45	BabyTree Information	the European Union	April 3, 2018	Pending
7.		17884250	9, 16, 35, 38, 41, 42, 45	BabyTree Information	the European Union	April 3, 2018	Pending
8.		17883228	9, 16, 35, 38, 41, 42, 45	BabyTree Information	the European Union	April 3, 2018	Pending
9.		87878397	3, 5, 9, 10, 16, 35, 38, 41, 42, 44, 45	BabyTree Information	the United States	April 16, 2018	Pending

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No.	Trademark	Application Number	Class	Name of Applicant	Intended Place of Registration	Date of Application	Status
10.	BABYTREE	87878310	3, 5, 9, 10, 16, 35, 38, 41, 42, 44, 45	BabyTree Information	the United States	April 16, 2018	Pending
11.		87878519	9, 35, 38, 41, 42, 44, 45	BabyTree Information	the United States	April 16, 2018	Pending
12.	小时光	87878651	9, 16, 35, 38, 41, 42, 45	BabyTree Information	the United States	April 16, 2018	Pending
13.	We Time	87878578	9, 16, 35, 38, 41, 42, 45	BabyTree Information	the United States	April 16, 2018	Pending
14.	We Time	107025030	3, 5, 9, 10, 16, 35, 38, 41, 42, 44, 45	BabyTree Information	Taiwan	April 24, 2018	Pending
15.	宝宝树	107025032	3, 5, 9, 10, 16, 35, 38, 41, 42, 44, 45	BabyTree Information	Taiwan	April 24, 2018	Pending
16.	BABYTREE	107025040	9, 35, 38, 41, 42, 44, 45	BabyTree Information	Taiwan	April 24, 2018	Pending
17.		107025042	9, 16, 35, 38, 41, 42, 45	BabyTree Information	Taiwan	April 24, 2018	Pending
18.	小时光	107025045	9, 16, 35, 38, 41, 42, 45	BabyTree Information	Taiwan	April 24, 2018	Pending

(ii) *Copyrights*

As at the Latest Practicable Date, our Group has registered the following software copyrights in the PRC, which we consider to be or may be material to our business:

No.	Copyright	Version	Registration number	Copyright Owner	Date of Creation	Status
1.	Hourlight mobile application software (android version) referred to as: Hour Light (小時光手機應用軟件 (Android版) [簡稱: 小時光])	5.3.0	2016SR327272	BabyTree Information	May 20, 2016	Valid
2.	Hourlight mobile application software (ios version) referred to as: Hour Light (小時光手機應用軟件 (ios版) [簡稱: 小時光])	5.3.0	2016SR327268	BabyTree Information	May 20, 2016	Valid
3.	BabyTree - photo and video recording the wonderful moment of baby life application software referred to as: baby tree (寶寶樹—照片和視頻記錄寶寶生活的精彩瞬間應用軟件[簡稱: 寶寶樹])	1.0	2014SR034115	BabyTree Information	December 28, 2013	Valid
4.	BabyTree parenting q&a - user baby age prediction software referred to as: User Baby Age Prediction (寶寶樹育兒問答的用戶寶寶年齡預測軟件[簡稱: 用戶寶寶年齡預測])	1.0	2014SR089171	BabyTree Information	May 10, 2013	Valid
5.	BabyTree parenting q&a -recommended answering software referred to as: Recommended by the same age question and answer (寶寶樹育兒問答的同齡問答推薦軟件[簡稱: 同齡問答推薦])	1.0	2014SR089174	BabyTree Information	October 24, 2013	Valid
6.	BabyTree breeding software (android version) referred to as: BabyTree Breeding (寶寶樹孕育軟件 (Android版) [簡稱: 寶寶樹孕育])	6.6.1	2016SR326571	BabyTree Information	May 1, 2016	Valid

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No.	Copyright	Version	Registration number	Copyright Owner	Date of Creation	Status
7.	BabyTree breeding software (android version) referred to as: BabyTree Breeding (寶寶樹孕育軟件 (android版) [簡稱: 寶寶樹孕育])	6.7.0	2016SR330125	BabyTree Information	June 30, 2016	Valid
8.	BabyTree breeding software (ios version) referred to as: BabyTree Breeding (寶寶樹孕育軟件 (IOS版) [簡稱: 寶寶樹孕育])	6.6.1	2016SR327686	BabyTree Information	May 27, 2016	Valid
9.	BabyTree breeding software (ios version) referred to as: BabyTree Breeding (寶寶樹孕育軟件 (IOS版) [簡稱: 寶寶樹孕育])	6.7.0	2016SR328753	BabyTree Information	June 30, 2016	Valid
10.	BabyTree parenting q&a answer quality order sort software referred to as: Answer Quality Order	1.0	2013SR091623	Zhongming	March 1, 2013	Valid
11.	Meitun Mama Software (ios version) (美國媽媽軟件 (ios version))	N/A	2016SR007363	Meitun Mama	September 30, 2015	Valid
12.	Meitun Mama Software (android version) (美國媽媽軟件 (android version))	N/A	2016SR008640	Meitun Mama	September 30, 2015	Valid
13.	Meitun Meiwu Wawaqin Software (美國美物娃娃親軟件)	N/A	2017SR340715	Meitun Meiwu	August 24, 2016	Valid
14.	Meitun Meiwu Defect Management System (美國美物缺陷管理系統)	N/A	2017SR311079	Meitun Meiwu	August 17, 2016	Valid
15.	Meitun Meiwu Automated Test Framework System (美國美物自動化測試框架系統)	N/A	2017SR306090	Meitun Meiwu	August 24, 2016	Valid
16.	Meitun Meiwu Products Search Service Software (美國美物商品搜索服務軟件)	N/A	2018SR238057	Meitun Meiwu	November 15, 2017	Valid
17.	Meitun Meiwu Configuration Management Center Software (美國美物配置管理中心軟件)	N/A	2018SR236000	Meitun Meiwu	December 20, 2017	Valid

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No.	Copyright	Version	Registration number	Copyright Owner	Date of Creation	Status
18.	Meitun Meiwu Galileo Performance Analysis Software (美國美物Galileo性能分析軟件)	N/A	2018SR236001	Meitun Meiwu	December 30, 2017	Valid
19.	Meitun Meiwu Case Test Management Software (美國美物測試用例管理軟件)	N/A	2018SR237980	Meitun Meiwu	December 31, 2017	Valid

As at the Latest Practicable Date, our Group has registered the following artwork copyrights in the PRC, which we consider to be or may be material to our business:

No.	Copyright	Type	Registration number	Copyright Owner	Date of Creation	Status
1.	BabyTree (寶寶樹)	artworks	Guo Zuo Deng Zi-2015-F-00211546 (國作登字-2015-F-00211546)	BabyTree Information	May 2015	Valid
2.	Deer series works (記鹿系列作品)	artworks	Guo Zuo Deng Zi-2017-F-00465463 (國作登字-2017-F-00465463)	BabyTree Information	January 25, 2016	Valid
3.	Meitun Mama Mascot Series (美國媽媽吉祥物系列)	artworks	Guo Zuo Deng Zi-2017-F-00377721 (國作登字-2017-F-00377721)	Meitun Mama	November 1, 2016	Valid
4.	Meitun Mama Logo Design (美國媽媽標誌設計)	artworks	Guo Zuo Deng Zi-2016-F-00329360 (國作登字-2016-F-00329360)	Meitun Mama	August 8, 2016	Valid
5.	BabyTree's electricity supplier (Meitun Mama) (寶寶樹的電商 (美國媽媽))	artworks	Hu Zuo Deng Zi-2016-F-00555856 (滬作登字-2016-F-00555856)	Meitun Mama	January 22, 2016	Valid
6.	Golden Tree Award (金樹獎)	artworks	Hu Zuo Deng Zi-2016-F-00555913 (滬作登字-2016-F-00555913)	Meitun Meiwu	November 9, 2015	Valid

(iii) *Domain names*

As at the Latest Practicable Date, our Group has registered the following domain names, which we consider to be or may be material to our business:

No.	Domain Name	Name of Registered Proprietor	Expiry Date
1.	baobaoshu.cn	Zhongming	December 21, 2019
2.	baobaoshu.com.cn	Zhongming	December 21, 2019
3.	xiaoshiguang.com	Zhongming	August 14, 2020
4.	寶寶樹.cn	Zhongming	December 26, 2020
5.	寶寶樹.com	Zhongming	December 26, 2018
6.	meitun.com	Meitun Mama	October 3, 2021

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(i) *Disclosure of Interests—Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be

entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

Interests in the Shares

Name of Director	Name of Interest	Number of Shares	Approximate percentage of interest in the Company immediately after the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised)
Mr. Wang ⁽¹⁾	Interest of a party to an agreement	127,612,683	7.65%
	Interest in controlled corporations	370,096,250	22.18%
Mr. WANG Changying ⁽²⁾	Interest in controlled corporations	550,943	0.03%

Notes:

- (1) Each of Golden Leaf Cayman Holdings Limited (general partner of Wang Family Limited Partnership), Golden Leaf Holdings Limited (sole shareholder of Golden Leaf Cayman Holdings Limited), Allen Wang Grantor Retained Annuity Trust (a limited partner of Wang Family Limited Partnership as to 39.99%) and Mr. Wang (sole shareholder of Golden Leaf Holdings Limited and founder of Allen Wang Grantor Retained Annuity Trust) is deemed to be interested in the Shares held by Wang Family Limited Partnership under the SFO.
- Pursuant to the voting agreements dated September 10, 2018 entered into by each of Tenzing Holdings 2011, Ltd., Jumei International and Bin Jiang (Hong Kong) Limited with Mr. Wang, respectively, Mr. Wang as an attorney has the right to vote over all the Shares held by each of them.
- (2) As at the Latest Practicable Date, Mr. WANG Changying wholly owned Wingnou Investments Limited, which in turn held 28,997 Shares, and therefore Mr. WANG Changying is deemed to be interested in the Shares held by Wingnou Investments Limited under the SFO.

Interests in associated corporations

Name of Director	Name of Interest	Amount of Equity Interest	Approximate Percentage of Interest in Zhongming
Mr. Wang ⁽¹⁾	Beneficial owner	RMB47,789,860	79.66%
	Interest in controlled corporations	RMB281,110	0.47%
Mr. XU Chong ⁽²⁾	Interest in controlled corporations	RMB1,517,670	2.53%

Name of Director	Name of Interest	Amount of Equity Interest	Approximate Percentage of Interest in Zhongming
Mr. WANG Changying ⁽³⁾	Beneficial owner	RMB22,080	0.04%

Notes:

- (1) As at the Latest Practicable Date, Mr. Wang directly held approximately 79.66% equity interest in Zhongming. As he also is the general partner of Ningbo Baoshu, he is therefore deemed to be interested in the equity interest held by Ningbo Baoshu in Zhongming under the SFO.
- (2) As at the Latest Practicable Date, Mr. XU Chong was the general partner of Ningbo Zhishan, Ningbo Honghu and Ningbo Yimengweima, which held equity interest in Zhongming as to approximately 1.76%, 0.47% and 0.30%, respectively. Mr. XU Chong is therefore deemed to be interested in such equity interest held by Ningbo Zhishan, Ningbo Honghu and Ningbo Yimengweima respectively under the SFO.
- (3) As at the Latest Practicable Date, Mr. WANG Changying directly held approximately 0.04% equity interest in Zhongming.

(ii) Particulars of service contracts and appointment letters

On November 1, 2018, each of the Executive Directors entered into a service contract, and each of the Non-executive and the Independent non-executive Directors entered into an appointment letter with our Company, respectively. The principal particulars of these service contracts and appointment letters are: (a) each of the service contracts and appointment letters is for a term of three years following each Director's respective appointment date; and (b) each of the service contracts and appointment letters is subject to termination in accordance with their respective terms. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable rules.

(iii) Directors' remuneration

An aggregate of approximately RMB5.1 million was paid to our Directors as remuneration for the year ended December 31, 2017, respectively (including emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable)).

All four of our independent non-executive Directors have been appointed for a term of three years effective from the Listing Date. The director's remuneration fee for each of our independent non-executive Directors is RMB0.3 million per annum.

Under the arrangement currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ending December 31, 2018 will be approximately RMB6.0 million.

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.

Further details of the terms of the service contracts and appointment letters entered into with our Directors are set forth in the paragraph headed "Particulars of service contracts and appointment letters" in the subsection headed "C. Further Information about Our Directors and Substantial Shareholders — Directors" in this Appendix.

2. Substantial Shareholders

- (i) For information on the persons who will, immediately following the completion of the Capitalization Issue and the Global Offering, (without taking into account any Shares which may be issued upon the exercise of the Over-Allotment Option), have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, please see “Substantial Shareholders” of this Prospectus.
- (ii) Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into accounts any Shares which may be issued upon the exercise of the Over-Allotment Option), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

3. Agency fees or commissions received

Save as disclosed in this Prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Prospectus.

4. Disclaimers

Save as disclosed this Prospectus:

- (i) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;
- (ii) none of our Directors or experts referred to under the paragraph headed “—D. Other information—9. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;

- (iv) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (v) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalization Issue and the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (vi) none of the experts referred to under the paragraph headed “—D. Other information—9. Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (vii) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for a listing of, and permission to deal in, all the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering as mentioned in the Prospectus.

4. Joint Sponsors' Fees

Each Joint Sponsor will be paid by our Company a fee of US\$300,000 to act as a sponsor to the Company in connection with the Listing.

5. Taxation of holders of Shares**(i) *Hong Kong***

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.2% of the consideration or, if higher, of the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(ii) *Cayman Islands*

Under present Cayman Companies Law, there is no stamp duty payable in the Cayman Islands on transfers of Shares if they are executed and remain outside the Cayman Islands and the Company does not hold any interest in land in the Cayman Islands.

(iii) *China*

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes as described in “Risk Factors—Risks Relating to Doing Business in China—If we are classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your investment.” In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See “Risk Factors—Risks Relating to Doing Business in China—The PRC government’s control of foreign currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.”

(iv) *Consultation with professional advisors*

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualification
Morgan Stanley Asia Limited.....	Licensed corporation to conduct Type 1 (dealing in securities), type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Haitong International Capital Limited	Licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
China Merchants Securities (HK) Co., Limited.....	Licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
KPMG	Certified Public Accountants
Maples and Calder (Hong Kong) LLP	Legal advisors as to the Cayman Islands laws
Commerce & Finance Law Offices.....	Legal advisors as to the PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

7. Consents of Experts

Each of the experts whose names are set out 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 values and/or valuation certificates and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance on the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Preliminary Expenses

The preliminary expenses incurred by the Company amount to approximately HK\$17,550.

11. Miscellaneous

- (i) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:
 - (a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) 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 our Company or any of our subsidiaries; and
 - (d) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (ii) save as disclosed in this Prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (iii) save as disclosed in this Prospectus, none of the persons named in the section headed “Consents of Experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

- (iv) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since June 30, 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (v) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;
- (vi) the Hong Kong register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. All necessary arrangements have been made to enable the Shares to be admitted to CCASS; and
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW AND GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix IV to this Prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about Our Business—1. 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 Company’s principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Articles of Association of our Company;
- (b) the Accountants’ Report prepared by KPMG, the text of which is set out in Appendix I to this Prospectus;
- (c) the consolidated financial statements of the companies comprising our Group for the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018;
- (d) the report in relation to unaudited *pro forma* financial information of our Group, the text of which is set out in Appendix II to this Prospectus;
- (e) the legal opinion issued by Commerce & Finance Law Offices, the PRC Legal Advisors to the Company in respect of certain aspects of the Group and the property interests of the Group in the PRC;
- (f) the letter of advice from Maples and Calder (Hong Kong) LLP, the legal advisors to the Company as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this Prospectus;
- (g) the Frost & Sullivan Report;
- (h) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this Prospectus;

- (i) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix IV to this Prospectus;
- (j) the service contracts and appointment letters referred to in the section headed “Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—1. Directors—(ii) Particulars of service contracts and appointment letters” in Appendix IV to this Prospectus; and
- (k) the Cayman Islands Companies Law.

有家的地方 就有寶寶樹
WE ARE WHERE FAMILIES ARE