

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018.
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

Commission file number: 001-38313

iClick Interactive Asia Group Limited

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

15/F

**Prosperity Millennia Plaza
663 King's Road, Quarry Bay
Hong Kong S.A.R., People's Republic of China
Tel: +852 3700 9000**

(Address of principal executive offices)

Terence Li, Chief Financial Officer

15/F

**Prosperity Millennia Plaza
663 King's Road, Quarry Bay
Hong Kong S.A.R., People's Republic of China
Tel: +852 3700 9000
E-mail: terence.li@i-click.com**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, two representing one Class A ordinary share, par value US\$0.001 per share* *Not for trading, but only in connection with the listing on the Nasdaq Global Market of American depositary shares.	NASDAQ Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report. As of December 31, 2018, there were 29,345,559 ordinary shares outstanding, par value \$0.001 per share, being the sum of 24,524,951 Class A ordinary shares[†] and 4,820,608 Class B ordinary shares. Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepare its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards^{††} provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

[†] Of the 24,524,951 Class A ordinary shares as of December 31, 2018, 1,358,860 were held by Arda Holdings Limited underlying the options granted but not yet exercised (whether or not they are vested) and the options reserved for issuance under our 2018 Share Incentive Plan.

^{††} The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

TABLE OF CONTENTS

<u>PART I</u>		3
<u>ITEM 1.</u>	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	3
<u>ITEM 2.</u>	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	3
<u>ITEM 3.</u>	<u>KEY INFORMATION</u>	3
<u>ITEM 4.</u>	<u>INFORMATION ON THE COMPANY</u>	48
<u>ITEM 4A</u>	<u>UNRESOLVED STAFF COMMENTS</u>	77
<u>ITEM 5.</u>	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	77
<u>ITEM 6.</u>	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	111
<u>ITEM 7.</u>	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	121
<u>ITEM 8.</u>	<u>FINANCIAL INFORMATION</u>	123
<u>ITEM 9.</u>	<u>THE OFFER AND LISTING</u>	124
<u>ITEM 10.</u>	<u>ADDITIONAL INFORMATION</u>	124
<u>ITEM 11.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	134
<u>ITEM 12.</u>	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	135
<u>PART II</u>		137
<u>ITEM 13.</u>	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	137
<u>ITEM 14.</u>	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	137
<u>ITEM 15.</u>	<u>CONTROLS AND PROCEDURES</u>	138
<u>ITEM 16A.</u>	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	139
<u>ITEM 16B.</u>	<u>CODE OF ETHICS</u>	139
<u>ITEM 16C.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	139
<u>ITEM 16D.</u>	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	139
<u>ITEM 16E.</u>	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	139
<u>ITEM 16F.</u>	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	140
<u>ITEM 16G.</u>	<u>CORPORATE GOVERNANCE</u>	140
<u>ITEM 16H.</u>	<u>MINE SAFETY DISCLOSURE</u>	140
<u>PART III</u>		141
<u>ITEM 17.</u>	<u>FINANCIAL STATEMENTS</u>	141
<u>ITEM 18.</u>	<u>FINANCIAL STATEMENTS</u>	141
<u>ITEM 19.</u>	<u>EXHIBITS</u>	141

CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT

Unless otherwise indicated and except where the context otherwise requires, references in this annual report to:

- “active profiled user” refers to a profiled user whom we are able to detect that he/she has online activities during a specific measurement period. A “profiled user” refers to a user whom we have collected sufficient information from his/her online activities to establish a descriptive understanding of the person;
- “ADSs” refers to our American depositary shares. Two ADSs represent one Class A ordinary share;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “direct marketer clients” refers to marketers that have direct contractual relationship with us;
- “end marketers,” or “marketers” refers to marketers that we serve, either directly or through marketing agencies, regardless if they have direct contractual relationship with us;
- “enterprise solution,” was formerly referred to as our “business intelligence solution,” or “BI solution”;
- “HK\$” or “Hong Kong dollars” refers to the legal currency of Hong Kong;
- “independent online marketing technology platforms” refers to online marketing technology platforms (i) which are not owned by any group which owns online publishing resources, or (ii) which do not own any online publishing resources;
- mobile apps or websites “covered” refers to the mobile apps or websites from which we are able to receive data to build user profiles;
- “mobile marketing solution” was formerly referred to as our “mobile audience solution”;
- “multinational companies” refer to companies that own or control production of goods or provision of services in one or more countries other than their home countries;
- “online marketing technology platforms” refers to online marketing platforms which, through a combination of marketing strategies and technologies, assist marketers in optimizing their marketing resources;
- “ordinary shares” refer to our Class A and Class B ordinary shares, par value US\$0.001 per share;
- “other marketing solution” was formerly referred as our “other solution”;
- “OTT” refers to over-the-top, a media distribution practice that allows a content provider to sell media directly to the customer over the internet;
- “our clients” refers to entities which enter into sales contracts with us and incur spending during the relevant period;
- “RMB” or “Renminbi” refers to the legal currency of China;
- “we,” “us,” “our company” and “our” refer to iClick Interactive Asia Group Limited; and
- “\$”, “US\$,” “dollars” or “U.S. dollars” refers to the legal currency of the United States.

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that relate to our current expectations and views of future events. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigations Reform Act of 1995.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our goals and strategies;
- our success in implementing our mobile and new retail strategies;
- our future business development, financial condition and results of operations;
- the expected growth of online marketing industry, including online marketing technology industry in China;
- our expectations regarding demand for and market acceptance of our products and services, including online marketing technology and enterprise solutions;
- our expectations regarding our clients and other marketers and marketing agencies;
- our ability to integrate and realize synergies from acquisitions and investments;
- our plans to invest in our platform, solutions, data analytics capabilities, technology and technology infrastructure;
- our relationships with our content distribution channel partners;
- competition in our industry;
- general economic and business condition in China and elsewhere; and
- relevant government policies and regulations relating to our industry.

You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect. Other sections of this annual report discuss factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Our Selected Consolidated Financial Data

The following selected consolidated statements of comprehensive loss data for the years ended December 31, 2016, 2017 and 2018, selected consolidated balance sheet data as of December 31, 2017 and 2018 and selected consolidated cash flow data for the years ended December 31, 2016, 2017 and 2018 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated balance sheet data as of December 31, 2015 and 2016, the selected consolidated statements of comprehensive loss for the year ended December 31, 2015 and the selected consolidated cash flow data for the year ended December 31, 2015 (except for (i) current liabilities and non-current liabilities as of December 31, 2015 and December 31, 2016, which reflect the impact of the retrospective adjustment for the reclassification of current deferred tax liabilities to non-current liabilities following the adoption of ASU No. 2015-17 on January 1, 2017, and (ii) cash and cash equivalents and restricted cash at the beginning of the year ended December 31, 2015 and the year ended December 31, 2016, and cash and cash equivalents and restricted cash at the end of the year ended December 31, 2015 and the year ended December 31, 2016, which reflect the impact of the retrospective adjustment when reconciling the beginning-of-period and end-of-period total amounts following the adoption of ASC No. 2016-18 on January 1, 2018) have been derived from our audited consolidated financial statements that are not included in this annual report. Our consolidated financial statements are prepared and presented in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”).

You should read the selected consolidated financial information in conjunction with our consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. Our historical results are not necessarily indicative of our results expected for future periods.

	Year Ended December 31,			
	2015	2016	2017	2018
	(US\$ in thousands, except for per share and share data)			
Selected Consolidated Statements of Comprehensive Loss:				
Net revenues ⁽¹⁾	65,242	95,357	125,258	160,017
Cost of revenues ⁽¹⁾	(34,531)	(61,048)	(95,733)	(120,897)
Gross profit	30,711	34,309	29,525	39,120
Operating expenses:				
Research and development expenses	(8,106)	(8,584)	(5,778)	(10,737)
Sales and marketing expenses	(31,385)	(28,266)	(25,935)	(32,080)
General and administrative expenses	(12,745)	(26,767)	(12,983)	(23,757)
Total operating expenses	(52,236)	(63,617)	(44,696)	(66,574)
Operating loss	(21,525)	(29,308)	(15,171)	(27,454)
Interest income	—	—	—	421
Interest expense	(107)	(713)	(551)	(773)
Other gains/(losses), net	791	(1,082)	1,841	687
Fair value (loss)/gain on derivative liabilities	(19,390)	3,995	(10,190)	—
Fair value loss on convertible notes	—	—	—	(4,837)
Loss before income tax expense	(40,231)	(27,108)	(24,071)	(31,956)
Income tax benefit/(expenses)	555	(222)	(548)	(655)
Share of losses from an equity investee	(38)	—	—	—
Net loss	(39,714)	(27,330)	(24,619)	(32,611)
Net loss attributable to noncontrolling interests	—	—	—	202
Net loss attributable to iClick Interactive Asia Group Limited	(39,714)	(27,330)	(24,619)	(32,409)
Accretion to convertible redeemable preferred shares redemption value	(2,692)	(773)	(1,662)	—
Accretion to redeemable ordinary shares redemption value	(1,982)	(1,556)	(3,650)	—
Deemed contribution from Series B-1 preferred shareholders	2,591	—	—	—
Net loss attributable to iClick Interactive Asia Group Limited's ordinary shareholders	(41,797)	(29,659)	(29,931)	(32,409)
Net loss	(39,714)	(27,330)	(24,619)	(32,611)
Other comprehensive loss:				
Foreign currency translation adjustment, net of US\$nil tax	(129)	(139)	(79)	(2,547)
Comprehensive loss	(39,843)	(27,469)	(24,698)	(35,158)
Comprehensive loss attributable to noncontrolling interests	—	—	—	202
Comprehensive loss attributable to iClick Interactive Asia Group Limited	(39,843)	(27,469)	(24,698)	(34,956)
Net loss per share attributable to iClick Interactive Asia Group Limited				
Basic	(3.58)	(2.26)	(2.15)	(1.23)
Diluted	(3.58)	(2.26)	(2.15)	(1.23)
Weighted average number of ordinary shares used in per share calculation				
Basic	11,661,049	13,151,063	13,931,503	26,452,409
Diluted	11,661,049	13,151,063	13,931,503	26,452,409

⁽¹⁾ On January 1, 2018, the Company adopted ASC 606 "Revenue from Contracts with Customers" using the modified retrospective method. The adoption did not have any impact to the accumulated deficit as of January 1, 2018. As a result of the adoption, certain rebates to marketers are presented net of revenues, as opposed to being included in cost of revenues in prior periods.

	As of December 31,			
	2015	2016	2017	2018
	(US\$ in thousands)			
Selected Consolidated Balance Sheet Data:				
Current assets:				
Cash and cash equivalents	10,395	27,280	19,401	39,828
Time deposit	—	—	25,000	—
Short-term investment	—	—	—	17,427
Accounts receivable, net of allowance for doubtful receivables of US\$1,733, US\$1,693, US\$1,478 and US\$1,507 as of December 31, 2015, 2016, 2017 and 2018, respectively	28,423	30,694	40,798	65,627
Rebates receivable	3,642	2,250	1,334	4,067
Prepaid media cost	24,793	34,409	37,784	19,107
Non-current assets:				
Intangible assets, net	19,095	14,804	10,600	7,247
Goodwill	48,496	48,496	48,496	48,496
Total assets	<u>146,110</u>	<u>169,640</u>	<u>188,822</u>	<u>207,258</u>
Liabilities, mezzanine equity and shareholders' deficit:				
Current liabilities ⁽²⁾	114,063	125,505	65,679	97,151
Non-current liabilities ⁽²⁾	4,766	4,064	3,159	3,467
Total liabilities	<u>118,829</u>	<u>129,569</u>	<u>68,838</u>	<u>100,618</u>
Total mezzanine equity	83,210	104,383	—	—
Ordinary shares (13,104,300, 13,609,208, 26,059,433 and 27,986,700 shares issued and outstanding as of December 31, 2015, 2016, 2017 and 2018, respectively)	13	14	26	28
Total equity	<u>(55,929)</u>	<u>(64,312)</u>	<u>119,984</u>	<u>106,640</u>
Total liabilities, mezzanine equity and shareholders' deficit	<u>146,110</u>	<u>169,640</u>	<u>188,822</u>	<u>207,258</u>

(2) The balance as of December 31, 2015 and 2016 reflects the impact of the retrospective adjustment for the reclassification of current deferred tax liabilities to non-current liabilities following the adoption of ASU No. 2015-17 on January 1, 2017.

	Year Ended December 31,			
	2015	2016	2017	2018
	(US\$ in thousands)			
Selected Consolidated Cash Flow Data:				
Net cash used in operating activities	(9,797)	(3,907)	(13,881)	(15,416)
Net cash (used in)/provided by investing activities	(18,787)	524	(25,165)	8,395
Net cash (used in)/provided by financing activities	(2,612)	24,564	25,546	27,775
Effect on exchange rate changes on cash and cash equivalents and restricted cash	(232)	(62)	387	(327)
Net (decrease)/increase in cash and cash equivalents and restricted cash	(31,196)	21,181	(13,500)	20,754
Cash and cash equivalents and restricted cash at the beginning of year ⁽³⁾	42,823	11,395	32,514	19,401
Cash and cash equivalents and restricted cash at the end of year ⁽³⁾	11,395	32,514	19,401	39,828

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

(3) The amounts for the years ended December 31, 2015, 2016 and 2017 reflect the impact of the retrospective adjustment for the presentation of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts in the consolidated statements of cash flows following the adoption of ASU No. 2016-18 on January 1, 2018.

D. Risk Factors

Risks Related to Our Business and Industry

We have experienced fluctuations in growth in recent periods, and our historical growth rates may not be indicative of our future growth.

We have experienced fluctuations in growth in recent periods. We may not be able to sustain our historical growth rates, or at all. You should not consider our historical growth in gross billing and net revenues as indicative of our future performance. Our recent growth was driven by increase in gross billing from mobile marketing solutions as a result of our strategic focus shifting to capture more market demand in mobile marketing solutions. In future periods, our gross billing and net revenues could decline or grow more slowly than we expect and the client base optimization may not achieve the benefits as we expected. We believe our business, prospects and results of operations depend on a number of factors, some of which are described in more details in this section, including our ability to:

- successfully execute our mobile strategy in the increasingly competitive mobile online marketing segment;
- retain existing clients while continuing to optimize our client base;
- attract new clients and further diversify our client base, including more clients to use our solutions on a self-serve basis and marketers from new industries and geographic regions;
- maintain the breadth and depth of our cooperation with content distribution channels, including publishers, ad exchanges, and ad networks, and attract new ones in order to increase the volume and breadth of content distribution opportunities available to us;
- adapt our solutions and service offerings to meet evolving business needs, including to address market trends such as the migration of consumers from PCs to mobile devices;
- leverage our data assets and experience and expertise in online marketing to extend our solutions beyond online marketing and achieve market acceptance;
- maintain the proper functioning of our technology architecture as our business continues to grow;
- maintain and grow our data assets in order to help marketers identify, engage and convert their audience;
- maintain a high level of customer satisfaction;
- adapt to a changing regulatory landscape governing privacy matters;
- acquire or invest in businesses, products and technologies and to integrate and realize synergies from acquisitions and strategic investments;
- increase awareness of our brand among marketers on a global basis in a cost-effective manner; and
- attract and retain employees.

We cannot assure you that we will be able to successfully accomplish any of these objectives.

We may not be successful in implementing our mobile strategies, which could materially and adversely affect our results of operations.

Our recent growth was primarily driven by our expansion since 2014 into mobile channels to identify, engage and convert mobile marketing. Our limited operating history in mobile channels may make it difficult to evaluate our current business and future prospects, which will be adversely affected if we fail to successfully maintain and enhance our mobile capabilities. To deliver, maintain and enhance our mobile capabilities, it is important that we further integrate with a wider range of mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing solutions that operate effectively with these technologies, systems, networks or standards. Any of these could have a material adverse effect on our business, prospects and results of operations.

While marketing via non-mobile online channels has been established for several years, marketing via mobile channels, in particular via mobile apps, is a relatively new phenomenon. We have experienced and expect to continue to face more significant competition for our mobile marketing solutions. In addition, in light of the rising demand for marketing via mobile apps, mobile app publishers, especially popular mobile app publishers tend to command stronger bargaining power compared to their non-mobile app publisher counterparts. All of these have resulted in a downward pricing pressure on, and increased media costs for, our mobile marketing solutions. While net revenues from our mobile marketing solutions increased significantly, which amounted to US\$57.8 million, US\$101.4 million and US\$140.4 million in 2016, 2017 and 2018, respectively, gross margins for our mobile marketing solutions remained relatively low and decreased during 2016 and 2017, which contributed to the decrease in our overall gross profit margin from 36.0% in 2016 to 23.6% in 2017. Although our gross margin for our mobile marketing solutions increased slightly in 2018 to 14.6%, it may fluctuate in future. As we continue to prioritize the execution of our mobile strategy and face increasing competition and pricing pressure for our mobile marketing solutions, our profit margin could be materially and adversely affected.

We have incurred net losses in the past and may not achieve profitability in the future.

We incurred net losses of US\$27.3 million in 2016, US\$24.6 million in 2017 and US\$32.6 million in 2018. As of December 31, 2018, we had an accumulated deficit of US\$181.4 million. We will need to generate increased revenue levels in future periods to become profitable, and, even if we do, we may not be able to improve our profitability as we intend to continue to expend significant funds to grow our marketing and sales operations, develop and enhance our data analytic capabilities, scale our data center infrastructure and services capabilities and expand into new market segments. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this annual report, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve or sustain profitability, the market price of our ADSs may significantly decrease.

Our newly launched business, including our enterprise solutions, may not be successful.

We have been leveraging our data assets and experience and expertise to extend our solutions beyond our core online marketing business. For example, in May 2018, we started to offer enterprise solutions and in January 2019, we made a controlling investment in Changyi (Shanghai) Information Technology Co., Ltd., or Changyi, which further enhances our enterprise solution capabilities. We may not be successful in our newly launched business lines, including enterprise solutions. For example, our data assets and experience and expertise in online marketing may not prove successful for enterprise solutions, and there can be no assurance that we will successfully integrate, utilize and leverage Changyi's enterprise solution capabilities. See “—Past and future acquisitions, strategic investments, partnership or alliance could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value and adversely affect our results of operations and financial condition.” for more details. In addition, we may face increased competition as we expand into the enterprise solution market. See “—The independent online marketing technology market is highly fragmented and intensely competitive. Independent online marketing technology platforms also face competitive pressure from well-established internet companies, marketing agencies and traditional media. In addition, as we expand into the enterprise solution market, we also face increasingly intensified competition” for more details.

We have been making efforts to promote our newly launched enterprise solutions to clients in industries including new retail, online education, real estate and other sectors. As a result, the success of our enterprise solutions depends on the continued growth of these sectors. In addition, to the extent businesses do not find our enterprise solutions an effective or efficient way of customer management and to the extent there are any potential new developments in their sectors, our enterprise solutions may be less attractive to clients, and our results of operations and business growth prospects may be adversely affected. Please see “—If online marketing technology solutions and enterprise solutions do not achieve widespread market acceptance, our business, growth prospects and results of operations would be materially and adversely affected.” for more details.

We may also face unexpected new risks as we continue to launch new business. As a result, we cannot assure you that we will be successful in this new business. If we cannot successfully address new challenges and compete effectively, we may not be able to develop a sufficient client base, recover costs incurred for developing and marketing our new business, and eventually achieve profitability from our new business, and, consequently, our future results of operations and growth prospects may be materially and adversely affected.

Our sales cycle may become more time-consuming and expensive under enterprise solutions, we may encounter pricing pressure and implementation and configuration challenges, and we may have to delay revenue recognition for some complex transactions, all of which could harm our business and operating results.

As the development cycle on enterprise solutions is subject to the complexity of the clients' needs and requirements, industries, scale of operation, etc., we may face greater costs, longer sales cycles and less predictability in completing some of our sales. In this market segment, clients' decision to use our services may be an enterprise-wide decision and, if so, these types of sales would require us to provide greater levels of education regarding the use and benefits of our services, as well as education regarding privacy and data protection laws and regulations to prospective clients with international operations. As a result of these factors, these sales opportunities may require us to devote greater development, sales support and professional services resources to individual clients, driving up costs and time required to complete the transactions, while potentially requiring us to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met.

Our net revenues, net revenues as a percentage of gross billing, gross profit margin and the comparability of our financial results may be affected by our revenue models.

We derive revenue primarily from three sources and report them on either the net or gross basis: (i) Revenue from incentives earned from the website publisher for which we act as sales agent for its content distribution opportunities, or the sales agency arrangement; (ii) revenue from performing cost-plus marketing campaigns are reported on the net basis; and (iii) revenue from performing specified actions marketing campaigns (i.e., a CPM, CPC, CPA, CPS, CPL or ROI basis) is reported on the gross basis. Please see “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Key Components of Results of Operations — Net Revenues” for more details. The gross profit margins for our sales agency arrangement and cost-plus marketing campaigns are higher than that for our specified action marketing campaigns as cost of revenues for our sales agency arrangement and cost-plus marketing campaigns does not include media cost.

Consequently, an increase in the percentage of gross billing recognized as net revenues from performing specified actions marketing campaigns will have a positive impact on our net revenues and a negative impact on gross profit margin. On the other hand, an increase in the percentage of gross billing recognized as net revenues from our sales agency arrangement and from performing cost-plus marketing campaigns will have a negative impact on our net revenues and a positive impact on gross profit margin. As the relative percentage of gross billing from incentives earned from the website publisher under our sales agency arrangement and from performing cost-plus marketing campaigns, on the one hand, and from performing specified actions marketing campaigns on the other hand, changes from time to time, the relative percentage of gross billing recognized as net revenues on the gross basis and net basis also fluctuates, which would consequently impact our net revenues and gross profit margin. Our mobile marketing solutions on one hand, and other marketing solutions, on the other hand, each represent a mixture of revenue recognized on gross basis and on net basis and the proportion of each fluctuates from period to period. Therefore our net revenues, net revenues as a percentage of gross billing, gross profit margin and the comparability of our financial results in one period to another may be affected by the relative percentage of gross billing recognized as net revenues on the gross basis and net basis. The relative percentage of gross billing recognized as net revenues on the gross basis and net basis is in turn, affected by a variety of factors, in particular, the terms of the arrangements with our clients, including whether to conduct their marketing campaigns on a specified-action (i.e., gross) or cost-plus (i.e., net) basis in a particular period, which depends on clients' needs and goals.

Failure to retain existing clients or attract new ones could adversely impact our business and results of operations.

We do not have long-term marketing campaign contracts with clients, and a majority of our marketing campaign contracts are for a term of one year or shorter. Our clients, referring to entities which enter into marketing campaign contracts with us and incur marketing spend during the relevant period and which include direct marketers and marketing agencies, are not obligated to use our platform on an exclusive basis and they generally use multiple providers to manage their marketing spend. Accordingly, we must convince our clients to use our platform, increase their usage and spend a larger share of their online marketing budgets with us, and do so on an on-going basis.

Our ability to achieve renewals or marketing campaign contracts and new sales depends on many factors, some of which are out of our control, including:

- customer satisfaction with our solutions, including any new solutions that we may develop,
- the competitiveness of our pricing and payment terms for our clients, which may, in turn, be constrained by our capital and financial resources,
- customer satisfaction with our account managing services,
- our ability to tailor our solution offerings and delivery and pricing models in accordance with the evolving needs of our clients and end marketers,
- our ability to expand our data base and solutions to serve marketers in a wider range of industries and geographic regions,
- mergers, acquisitions or other consolidation among marketers and marketing agencies, and
- the effects of global economic conditions on spending levels of marketers generally.

Therefore, we cannot assure you that clients that have generated marketing spend on our platform in the past will continue to spend at similar levels or that they will continue to use our platform at all. We may not be able to replace clients which decrease or cease their usage of our platform with new clients that spend similarly on our platform. We have relied on a limited number of clients to generate a significant portion of our revenues. For example, in 2016, we had two clients that each contributed to more than 10% of our net revenues, including a marketer in the entertainment industry which contributed to 18% of our net revenues and a marketer in the e-commerce industry which contributed to 11% of our net revenues. In 2017, we did not have any client that contributed to more than 10% of our net revenues. In 2018, we had one client from the entertainment industry that contributed to 14% of our net revenues.

In addition, we have started a comprehensive review of the client base especially for other marketing solutions since 2016 to focus on profitability and liquidity. For example, we terminated relationships with certain clients for our other marketing solutions as they had relatively long account receivable cycles and yielded relatively low operating profit margins. Some of these clients were large marketers and had individually accounted for more than 5% of our annual gross billing historically. As a result, gross billing from our other marketing solutions decreased by 38.6% from US\$123.9 million in 2016 to US\$76.1 million in 2017 and by 6.6% to US\$71.0 million in 2018. In addition, the total number of marketers decreased by 5.6% from 2,713 in 2016 to 2,561 in 2017, and by 3.2% to 2,479 in 2018.

If our existing clients do not continue to use or increase their use of our platform, or if we are unable to attract sufficient marketing spend on our platform from new clients, our business and results of operations could be materially and adversely affected.

Loss of any marketing agency client may materially and adversely affect our business and results of operations.

We engage third-party marketing agencies to help source and serve some of our marketers. In 2018, we had 2,479 marketers. Among these marketers, 1,336 were represented by our marketing agency clients, which contributed a significant portion of our gross billing and net revenues. We do not have exclusive business arrangement with these marketing agencies. If we lose any marketing agency, we risk losing business from end marketers represented by that agency. In addition, some marketing agencies have their own business arrangements with content distribution channels and can directly connect marketers with such channels. Our business may suffer to the extent that marketing agencies and content distribution channels purchase and sell content distribution opportunities directly from one another or through intermediaries other than us. Loss of marketing agencies as our clients could materially and adversely affect our business and results of operations.

Furthermore, our contractual arrangements with marketing agency clients do not provide us with control or oversight over their day-to-day business activities. If any of our marketing agency clients engage in activities that violate laws and regulations, our reputation could be harmed and our business and results of operations could be materially and adversely affected.

Loss of any content distribution channel and changes in the contract terms with any content distribution channel may materially and adversely affect our business and results of operations.

Our consistent access to attractive content distribution opportunities is crucial to our business. We primarily rely on third-party content distribution channels to access content distribution opportunities. Our content distribution channels are concentrated and primarily include online and mobile publishers, major search engines and ad exchanges, including those owned or operated by Tencent, Baidu, Google and Alibaba. Media costs for content distribution opportunities on Tencent, Baidu, Google and Alibaba channels in aggregate accounted for 81.6%, 89.1% and 91.1% of our media costs in 2016, 2017 and 2018, respectively. Media costs for content distribution opportunities on our largest and second largest channel partners accounted for 79.5% and 11.5% of our media costs in 2018, respectively. In addition, our contracts with content distribution channels are generally for a period of one year and do not impose long-term obligations requiring them to make their content distribution opportunities available to us on reasonable terms or at all. The loss of access to content distribution opportunities from one of those companies would negatively impact our ability to help marketers reach their audience.

Our ability to source content distribution opportunities from content distribution channels depends in part on our ability to continuously generate sufficient marketing spend from our clients on these channels. Under some of our contracts, content distribution channels may terminate or choose not to renew the contracts during their terms if we do not meet the minimum marketing spend requirements in the contracts. If our content distribution channels terminate or choose not to renew their contracts with us, our business and results of operations will be materially and adversely affected.

In addition, we may not be able to negotiate favorable or acceptable terms once the contracts expire. For example, the written contract with certain content distribution channel under our sales agency arrangement expired on December 31, 2018 and as of the date hereof, we have not yet executed and are negotiating a new written contract with this content distribution channel. Net revenues from this content distribution channel under our sales agency arrangement were US\$7.9 million, US\$8.3 million and US\$8.7 million in 2016, 2017 and 2018, representing 8.3%, 6.6%, and 5.4% of our total net revenues for the respective years. As the contract is still being negotiated, there is no assurance that we will be able to execute the contract with terms favorable or acceptable to us or at all, which will have a material adverse impact on our financial conditions and results of operations.

Furthermore, our contracts with content distribution channels generally provide for certain rebates or incentives, generally calculated as a percentage of marketing spend, that we are entitled to should the market spending during the terms exceed the specified thresholds. Under some of our contracts, content distribution channels offer staggered levels of rebates or incentives to us depending on the amount of marketing spend we achieve during the period. See “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Critical Accounting Policies — Revenue recognition — Sales Agent” and “— Rebates” for a description of the accounting treatment of rebates or incentives that we receive from content distribution channels. In addition, some of these contracts provide for a deduction of the rebates we are entitled to should we breach certain obligations under the contracts, including infringement of other parties’ rights, violation of content laws and consumer complaints. If we are unable to meet the anticipated level of marketing spend with any content distribution partner, we may experience a material adverse impact on our financial conditions and results of operations, including reduced rebates or payment of liquidated damages, and the content distribution partner may terminate our contract. If any of our content distribution channels were to change their rebate or incentive programs or to cease doing business with us for any reason, our financial results would be materially adversely affected.

Our platform is connected with some of our content distribution channels' platforms through application programming interfaces, or API, such as the Baidu API and Google API. We are subject to standard API terms of use of such content distribution channels, which govern the use and distribution of data from them. Our business significantly depends on access to these APIs, particularly the Baidu API and Google API on commercially reasonable terms. Our business would be harmed if any of these content distribution channels discontinue, limit or place any additional restrictions on our access to their platforms, modify their terms of use or other policies, or charge API license fees for API access. In particular, content distribution channels update their API terms of use from time to time and new versions of these terms could impose additional restrictions on us and require us to modify our software to accommodate these changes. Any of these outcomes could cause demand for our solutions to decrease, our research and development costs to increase, and as a result, our business and results of operations could suffer.

The independent online marketing technology market is highly fragmented and intensely competitive. Independent online marketing technology platforms also face competitive pressure from well-established internet companies, marketing agencies and traditional media. In addition, as we expand into the enterprise solution market, we also face increasingly intensified competition.

China's independent online marketing technology market is highly competitive, fragmented and rapidly changing. With the introduction of new technologies and the influx of new entrants, we expect competition to continue and intensify, which could harm our ability to increase revenue and attain or sustain profitability. We believe the principal competitive factors in this industry include:

- ability to deliver return on marketing expenditure at scale;
- customer trust;
- geographic reach;
- breadth and depth of cooperation with publishers, ad exchanges, ad networks and other participants in the online marketing ecosystem;
- comprehensiveness of solutions and service offerings;
- pricing structure and competitiveness;
- cross-channel capabilities;
- accessibility and user-friendliness of solutions; and
- brand awareness.

In addition, independent online marketing technology platforms face competitive pressure from large and well-established internet companies, such as Alibaba, Baidu, Tencent and Google, which have established stronger and broader presence across the online marketing ecosystem and have significantly more financial, technical, marketing and other resources, more extensive client base, and longer operating histories and greater brand recognition than we do. These companies have access to user information by virtue of their popular consumer-oriented websites and mobile apps, and have the technology designed for use in conjunction with the types of user information collected from their websites and mobile apps. These companies may also leverage their positions to make changes to their systems, platforms, exchanges, networks or other products or services that could be harmful to our business and results of operations. While we believe that we do not directly compete with these large and well-established internet companies as we promote their content distribution opportunities or purchase their content distribution opportunities in the ordinary course of our business in connection with our execution of marketing campaigns, and these companies generally do not provide integrated online marketing solutions the way we do, we face indirect competition from these major players in the online marketing technology industry as they provide online marketing technology and offer services and offer solutions that help marketers achieve one or more aspects of their marketing goals in one or more phases of their online marketing cycle. These large and well-established companies control content distribution channels and may also directly compete with us to the extent we expand our solutions and footprints vertically along the online marketing technology value chain. Further, some of these companies are, or may also become, our content distribution channels and may enter into other types of strategic arrangements with us. For example, we generally enter into annual framework agreements with content distribution channel partners, including Baidu and Tencent, to purchase or promote their content distribution opportunities. See "Item 4. Information on the Company — B. Business Overview — Our Content Distribution Channels". Competitive pressure may incentivize them to cease their partnership with us. Online marketing technology platforms also face competition from marketing agencies, who may have their own relationships with content distribution channels and can directly connect marketers with such channels. Furthermore, online marketing technology platforms continue to compete with traditional media including direct marketing, television, radio, cable and print advertising companies.

New technologies and methods of online marketing present an evolving competitive challenge, as market participants upgrade or expand their service offerings to capture more marketing spend from marketers. In addition to existing competitors and their existing service offerings, we expect to face competition from new entrants to the online marketing technology industry and new service offerings from existing competitors. If existing or new companies develop, market or resell competitive high-value marketing technology solutions, acquire one of our competitors or strategic partners, form a strategic alliance or enter into exclusivity arrangement with one of our competitors or strategic partners, our ability to compete effectively could be significantly compromised and our business, results of operations and prospects could be materially and adversely affected.

In May 2018, we launched a strategic growth initiative beyond our core online marketing operation to provide SaaS-based enterprise solutions. Although we currently have few direct competitors in this relatively new and evolving area in China, we anticipate competition to increase based on businesses' demands for this type of products. We may face competitions from local companies that are working on the enterprise solutions, new cloud computing and artificial intelligence. We may also face potential competition from international SaaS companies, which have longer operating histories, greater financial, technical, marketing, distribution, professional services or other resources and greater name recognition. In addition, many of our prospective competitors may have close relationship with our existing and new clients and bear an extensive knowledge of this industry. As a result, they may be able to respond more quickly to new or emerging technologies and changes in clients' requirements, or devote greater resources to the development, promotion and sale of their products. If we fail to upgrade our technologies and differentiate our enterprise solutions to effectively identify and address clients' needs, our business, results of operations and prospects could be materially and adversely affected.

If online marketing technology solutions and enterprise solutions do not achieve widespread market acceptance, our business, growth prospects and results of operations would be materially and adversely affected.

The market for online marketing technology solutions and enterprise solutions such as ours is evolving in China and these solutions may not achieve or sustain high levels of demand and market acceptance as we expect. While marketing via search engines or display channels has been established for several years, marketing via new digital channels such as mobile and social media is not as well established. The future growth of our business could be constrained by both the level of acceptance and expansion of emerging online marketing channels, as well as the continued use and growth of existing channels. Even if these channels become widely adopted, marketers and agencies may not be familiar with and make significant investments in, solutions such as ours that help them manage their online marketing across channels and devices. In addition, some of our solutions are delivered as software-as-a-service, or SaaS, offerings, which are less mature or common in China, and the pace of transition to SaaS business may be slower among marketers with heightened data security concerns or general demand for highly customizable application software. The acceptance of our solutions delivered as SaaS offerings will depend to a substantial extent on the education of our clients on the SaaS offerings and the widespread adoption of SaaS solutions in general, and we cannot be certain that the trend of adoption of such solutions will continue in the future. Therefore, it is difficult to predict the demand for our platform or the future growth rate and size of the market for online marketing technology solutions.

Expansion of the market for online marketing technology solutions depends on a number of factors, including the growth of new digital channels such as mobile and social media and the cost, as well as the performance and perceived value associated with online marketing technology solutions. If online marketing technology solutions do not achieve widespread acceptance, or there is a reduction in demand for online marketing caused by weakening economic conditions, decreases in corporate spending, technological challenges, data security or privacy concerns, governmental regulation, competing technologies and solutions or otherwise, our business, growth prospects and results of operations will be materially and adversely affected.

Enterprise solution is a relative new data technology market in PRC. The expansion of our enterprise solutions depends on the clients' interest and market acceptance. If we fail to obtain a widespread acceptance, our number of clients may decrease. We may also incur additional spending to further enhance our brand recognition and promotion, which could adversely impact our profitability. If our enterprise solutions fail to gain a widespread acceptance, our business, growth prospects and results of operations may also be materially and adversely affected.

If our algorithms and data engines for assessing and predicting potential audience behaviors are flawed or ineffective, or if our platform fails to otherwise function properly, our reputation and market share would be materially and adversely affected.

Our ability to attract marketers to, and build trust in, our platform is significantly dependent on our ability to effectively assess and predict audience interest in, and therefore interaction with, relevant marketing content. In addition, our ability to attract businesses to use our enterprise solutions is significantly dependent on our ability to effectively identify and address their needs on customer relationship management and data analytics (e.g. sales data, customer data, product data, etc.). We utilize our proprietary algorithms and data engines to track, process and analyze internet user data, forecast probability and nature of internet users' potential engagement with a given marketing message, create and tailor the marketing message to specific user interest, and execute marketing campaigns based on parameters specified by our clients. Our proprietary algorithms and data engines take into account multiple kinds and sources of data, including data on users' interest, intent, E-commerce and offline purchase behavior, social data, demographic data and campaign performance data, which we track using our proprietary tracking tools, from our marketers, publishers and ad exchanges in connection with marketing campaigns, and from collaboration with selected third-party data partners. The data we collect may not be relevant to all industries, and for certain industries, we may not have sufficient user data to ensure that our algorithms and data engines would work effectively. Furthermore, we generally do not verify the data we gather, which may be subject to fraud or are otherwise inaccurate. Even if such data are accurate, they may become irrelevant or outdated and thus may not reflect a user's genuine interest or accurately predict his or her interaction with a given marketing message. For example, following the date we obtain the relevant data, a user's interest and behavior pattern may change or he or she may have already completed a transaction and is no longer interested in the marketing message.

In addition, we expect to experience significant growth in the amount of data we process as we continue to develop new solutions and features to meet evolving and growing marketer demands. As the amount of data and variables we process increases, the calculations that our algorithms and data engines must process become increasingly complex and the likelihood of any defect or error increases. To the extent our proprietary algorithms and data engines fail to accurately assess or predict a user's interest in and interaction with, the relevant marketing content, or experience significant errors or defects, marketers may not achieve their marketing goals in a cost-effective manner or at all, which could make our platform less attractive to them, result in damages to our reputation and a decline of our market share and adversely affect our business and results of operations.

Our ability to collect and use data from various sources could be restricted.

The optimal performance of our algorithms and data engines depends on the data that we collect from multiple sources, which we use to build user profiles, develop and refine our algorithms and data engines. Our ability to collect and use these types of data is limited by a number of factors, some of which are described in further details elsewhere in this section, including:

- consumer choices, including the blocking or deletion of cookies or modifications to privacy settings;
- decisions by marketers, content distribution channels, or selected third party that we have data collaboration arrangement with, to restrict our ability to collect data from them, to refuse to implement mechanisms that we request to ensure compliance with our legal obligations;
- changes in browser or device functionality and settings, and other new technologies, which could make it easier for users to prevent the placement of cookies or other tracking technologies;
- new developments in law, regulations and industry standards on privacy and data protection regimes, including increased visibility of consent mechanisms as a result of these legal, regulatory or industry developments;
- the failure of our network or software systems, or the network or software systems of marketers;
- our inability to grow client base in new industries and geographic markets in order to obtain the critical mass of data necessary for our algorithms and data engines to perform optimally in these new industries and geographies;
- our relationship with our data partners or certain key data sources, including major internet companies in China, which may stop providing or be unable to provide us data on terms acceptable to us; and
- interruptions, failures or defects in our data collection, mining, analysis and storage systems.

Any of the above described limitations on our ability to successfully collect and use data could materially impair the optimal performance of our algorithms and data engines as well as the efficiency of our solutions, which could make our platform less attractive to marketers and result in damages to our reputation, a decline of our market share and adversely affect our business and results of operations.

Blocking or deletion of cookies or other modifications to privacy settings on PCs and mobile devices could impair our data collection and effectiveness of our solutions.

Cookies that we place are generally regarded as “third party cookies” because we place them through internet browsers on an internet user when an internet user visit our website or a website owned by our marketers or other party that has given us permission to place cookies. Our cookies generally record non-personally identifiable information, including when a user views or clicks on a marketing message, where a user is located, how many marketing messages a user has seen, and browser or device information. We use data from cookies to help build user profiles that assess audience interest and predict audience potential interaction with a given marketing message. Cookies may easily be deleted or blocked by internet users. Commonly used internet browsers (Chrome, Firefox, Internet Explorer, and Safari) allow internet users to modify their browser settings to prevent cookies from being accepted by their browsers. Most browsers also now support temporary privacy modes that allow the user to suspend, with a single click, the placement of new cookies or reading or updates of existing cookies. Internet users can also delete cookies from their computers at any time. Some internet users also download free or paid “ad blocking” software that prevents certain cookies from being stored on a user’s computer. Further, certain web browsers, such as Safari, currently block or are planning to block some or all third-party cookies by default, as do Apple’s iPad and iPhones devices. Mobile devices based upon the Android operating system use cookies only in their web browser applications, so that cookies do not track Android users while they are using other applications on the device. If web browsers block, or internet users reject or delete, cookies, fewer of our cookies or our marketers’ cookies may be set in browsers or accessible in mobile devices, which could adversely affect our data collection and hence the optimal performance of our algorithms and data engines and effectiveness of our solutions.

Aside from blocking or deleting of cookies, other modifications to privacy settings on the PCs and mobile devices could limit or restrict our ability to collect and analyze data. For example, certain search engines, such as Google, provide an encrypted search function. Although we may still be able to see the amount of traffic brought to marketers’ website through the search engine, we will not be able to see the keywords that generate the traffic as the keywords are encrypted. This makes it more difficult for us to evaluate the effectiveness of keywords, and hence the effectiveness of our solutions may be compromised, which would result in client departure and reputation damages, and materially and adversely affect our business and results of operations.

We may be required to obtain value-added telecommunications business operation license for the business carried out by certain consolidated entity.

In November 2018, we, through OptAim Network, our VIE, made a controlling investment in Shanghai Myhayo Technology Co., Ltd., or Myhayo, a content distribution channel and a mobile content aggregator of articles and short videos in China. Myhayo presents customized feeds to users via its mobile application and allows users to earn points from their daily access to the app, which could be used to redeem cash rewards. Under the relevant PRC laws, commercial operators of value-added telecommunication services, which refer to providers of telecommunications and information services through public network infrastructures that provide information or services to internet users with a charge, shall obtain a value-added telecommunications business operation license. See “Item 4. Information on the Company — B. Business Overview — Regulations — Regulations on Value-added Telecommunication Services” and “— Regulations on Internet Content Providers.” It is unclear whether Myhayo’s business model would render it a commercial operator of value-added telecommunication service provider under the relevant PRC laws.

As of the date hereof, Myhayo does not hold a value-added telecommunication license, and it is in the process of applying for such license. There is no assurance Myhayo will be granted such license in a timely manner or at all. If we fail to obtain, maintain or renew any required license, or obtain any additional licenses and permits or make any records or filings required by new laws, regulations or executive orders in a timely manner or at all, we could be subject to liabilities or penalties, and we may have to change our business models, and our operations could be adversely affected. In addition, new laws and regulations may be adopted from time to time to address new issues that come to the authorities’ attention, which may require us to obtain new license and permits, or take certain actions that may adversely affect our business operations. We may not timely obtain or maintain all the required licenses or approvals or make all the necessary filings in the future. Nor can we assure you that we will be able to timely address all the change in policy, failure of which may subject us to liabilities or penalties, and our operations could be adversely affected.

Content displayed on our platform and the mobile application may be found objectionable by PRC regulatory authorities and may subject us to penalties and other administrative actions.

We are subject to PRC regulations governing internet access and other forms of information over the internet. Under these regulations, internet content providers are prohibited from posting over the internet any content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, frightening, gruesome, offensive, fraudulent or defamatory. Failure to comply with these requirements may result in monetary penalties, revocation of licenses to provide internet content or other licenses, suspension of the concerned platforms and reputational harm. In addition, these laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases the types of content that could cause us to be held liable as a content distribution channel and a mobile content aggregator of articles and short videos in China, which presents customized feeds to users via its mobile application. For a detailed discussion, see “Item 4. Information on the Company — B. Business Overview — Regulation—Regulations on Internet Content Providers”.

Internet platform operators may also be held liable for the content displayed on or linked to their platforms that is subject to certain restrictions. Our users may browse professional or user-generated content, such as articles and other content formats. Although we have adopted internal procedures to monitor the content displayed on our mobile application, due to the significant amount of content, we may not be able to identify all the content that may be illegal or otherwise objectionable. In addition, we may not be able to timely update our internal procedures to reflect the latest changes in the PRC government’s requirements for content display. Failure to identify and prevent illegal or inappropriate content from being displayed on our platform and the mobile application may subject us to liability, government sanctions or loss of licenses and/or permits.

Regulatory, legislative or self-regulatory developments for online businesses, including privacy and data protection regimes, are expansive, not clearly defined and rapidly evolving. These laws and regulations could create unexpected costs, subject us to threats of lawsuits, enforcement actions for compliance failures, result in declines in user growth or engagement, restrict portions of our business or cause us to change our technology platform or business model.

Governments around the world, including the PRC, Hong Kong, U.S. and European Union governments, have enacted or are considering legislation related to online businesses. There may be an increase in legislation and regulation related to online marketing, the use of geo-location data to inform marketing, the collection and use of anonymous internet user data and unique device identifiers, such as IP address or mobile unique device identifiers, and other data protection and privacy regulation. Some of our competitors may have more access to lobbyists or governmental officials and may use that access to effect statutory or regulatory changes in a manner to commercially harm us while favoring their solutions. These laws and regulations could adversely affect the demand for or effectiveness and value of our solutions, force us to incur substantial costs or require us to change our business practices in a manner that could adversely affect our business and results of operations or compromise our ability to effectively pursue our growth strategies.

We primarily target Chinese language internet users in China for our marketers from all over the world. Through our enterprise solutions, we also access and gather data of users outside China as clients adopt our enterprise solutions. As a result, we may be directly or indirectly subject to the laws and regulations on online marketing, including data and privacy laws, of multiple jurisdictions.

In recent years, the PRC government has enacted legislation on internet use to protect personal information from any unauthorized disclosure. For example, on February 1, 2013, China's first set of personal data protection guidelines, the Guidelines for Personal Information Protection in Information Security Technology Public and Commercial Service Systems, came into effect, which set forth detailed personal information protection requirements on data collection, data processing, data transfer and data creation. Although these guidelines are voluntary and non-binding, we believe that growing regulatory oversight of data privacy in China is inevitable. In addition, Amendment 7 to the PRC Criminal Law prohibits institutions, companies and their employees in the telecommunications and other industries from selling or otherwise illegally disclosing a citizen's personal information obtained during the course of performing duties or providing services or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the PRC National People's Congress issued the Cyber Security Law of the PRC, which became effective on June 1, 2017. Pursuant to the Cyber Security Law of the PRC, providers of network products and services shall provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. Moreover, the Provisions on Protection of Personal Information of Telecommunication and Internet Users is the specific regulation governing the collection, use, disclosure and security of personal information. Complying with these PRC laws and regulations may cause us to incur substantial costs or require us to change our business practices. Furthermore, the Personal Information Security Specification ("China Specification") came into force on May 1, 2018. Although the China Specification is not a mandatory regulation, it nonetheless has a key implementing role in relation to China's Cyber Security Law in respect of protecting personal information in China. It is likely that the China Specification will be relied on by Chinese government agencies as a standard to determine whether businesses have abided by China's data protection rules. The China Specification has broadened the scope of Personal Sensitive Information ("PSI") (including but not limited to phone number, transaction record and purchase history, bank account, browse history, and e-ID info such as system account, email address and corresponding password) and thus, the application of explicit consent under the China Specification is more far reaching. Furthermore, under the China Specification, the data controller must provide the purpose of collecting and using subject personal information, as well as business functions of such purpose, and the China Specification requires the data controller to distinguish its core function from additional functions to ensure the data controller will only collect personal information as needed. Our failure to comply with the China Specification could result in governmental enforcement actions, litigation, fines and penalties, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In Hong Kong, the Hong Kong Personal Data Ordinance prohibits an internet company collecting information about its users, analyzing the information for a profile of the user's interests or selling or transmitting the profiles to third parties for direct marketing purposes unless it has obtained the user's consent.

In the U.S., all 50 states have now passed laws to regulate the actions that a business must take in the event of a data breach, such as prompt disclosure and notification to affected users and regulatory authorities. In addition to the data breach notification laws, some states have also enacted statutes and rules requiring businesses to reasonably protect certain types of personal information they hold or to otherwise comply with certain specified data security requirements for personal information. Additionally, the U.S. government has announced that it is reviewing the need for greater regulation of the collection of consumer information, including regulation aimed at restricting some targeted advertising practices.

In the European Union, or EU, to the extent it is applicable to the processing operations carried out in the course of our activities, the General Data Protection Regulation, or the GDPR, which became applicable on May 25, 2018, has a broad territorial scope affecting the processing of personal data by companies outside of the EU offering goods and services to, or monitoring the behavior of, individuals in the EU. The GDPR introduces new obligations for subject companies in the area of privacy and data protection. The GDPR implements more stringent legal and operational requirements for both processors and controllers of personal data, including, for example, requiring expanded disclosures about how personal information is to be used, limitations on retention of information, new rights for data subjects with respect to their data (including by enabling them to exercise rights to erasure and data portability), mandatory data breach notification requirements, and higher standards for data controllers to demonstrate that they have obtained either valid consent or have another legal basis in place to justify their data processing activities. The GDPR further provides that EU member states may make their own additional laws and regulations in relation to certain data processing activities, which could further limit our ability to use and share personal data and could require localized changes to our operating model. Under the GDPR, fines of up to a 20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, may be imposed in certain cases of non-compliance. Since the GDPR has just recently become applicable, the potential risks associated with non-compliance therewith are uniquely difficult to predict. Moreover and to the extent the GDPR is applicable, the implementation of the GDPR may require amendments to our procedures and policies or the agreements we have with our service providers and clients, and these changes could impact our business by increasing its operational and compliance costs. The EU has also released a proposed Regulation on Privacy and Electronic Communications, or the e-Privacy Regulation, to replace the EU's current Privacy and Electronic Communications Directive, or the e-Privacy Directive, to, among other things, achieve a greater harmonization among EU member states and better align the rules governing electronic communications (e.g., in relation to the use of cookies and other tracking technologies and protection against spam) with the requirements of the GDPR. While the ePrivacy Regulation was originally intended to be adopted on May 25, 2018 (alongside the GDPR), it is still going through the European legislative process and commentators now expect it to be adopted during the second half of 2019. The current draft of the ePrivacy Regulation imposes strict opt-in e-marketing rules with limited exceptions to business to business communications and significantly increases fining powers to the same levels as GDPR of cookies and web beacons may lead to broader restrictions on our online activities, including efforts to understand followers' internet usage and promote ourselves to them.

Outside of the U.S. and the EU, many jurisdictions have adopted or are adopting new data privacy and data protection laws that may impose further onerous compliance requirements, such as data localization, which prohibits companies from storing outside the jurisdiction data relating to resident individuals in data centers outside the jurisdiction. The proliferation of such laws within the jurisdictions and countries in which we operate may result in conflicting and contradictory requirements, particularly in relation to evolving technologies such as cloud computing. Any failure to successfully navigate the changing regulatory landscape could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business and operations.

While we strive to comply with all applicable laws and regulations relating to privacy and data collection, processing, use, and disclosure applicable to us, it is possible that our practices are and will continue to be, inconsistent with certain regulatory requirements. These laws and regulations are continually evolving, are not always clear, and are not always consistent across the jurisdictions in which we do business, and the measures we take to comply with these laws, regulations and industry standards may not always be effective. We may be subject to litigation or enforcement action or reduced demand for our solutions if we or our marketers fail to abide by applicable data protection and privacy laws or to provide adequate notice and/or obtain consent from end users. In addition, some of our content distribution channels require us to indemnify and hold them harmless from the costs or consequences of litigation resulting from using their networks. Any proceeding, claims or lawsuits initiated by governmental bodies, customers or other third parties, whether meritorious or not, or perception of concerns relating to our collection, use, disclosure, and retention of data, including our security measures applicable to the data we collect, whether or not valid, could harm our reputation, force us to spend significant amounts and time on defense of these proceedings, give rise to significant fines, liabilities and damage awards, distract our management, change our business practices, increase our costs of doing business, inhibit the use of our solutions, harm our ability to keep existing customers or attract new customers, or otherwise materially and adversely affect our business, results of operations and prospects.

We are subject to, and may expend significant resources in defending against, government actions and civil claims in connection with false, fraudulent, misleading or otherwise illegal marketing content for which we provide design, production or agency services.

Under PRC Advertising Law, where an advertising operator provides advertising design, production or agency services with respect to an advertisement when it knows or should have known that the advertisement is false, fraudulent, misleading or otherwise illegal, the competent PRC authority may confiscate the advertising operator's advertising revenue from such services, impose penalties, order it to cease dissemination of such false, fraudulent, misleading or otherwise illegal advertisement or correct such advertisement, or suspend or revoke its business licenses under certain serious circumstances.

Under the PRC Advertising Law, "advertising operators" include any natural person, legal person or other organization that provides advertising design, production or agency services to advertisers for their advertising activities. Since our solutions involve provision of agency services to marketers, including helping them identify, engage and convert audience, and create content catering to their potential clients across different content distribution channels, we are deemed as an "advertising operator" under the PRC Advertising Law. Therefore, we are required to examine advertising content for which we provide agency services for compliance with applicable laws, notwithstanding the fact that the advertising content may have been previously published, and that the advertisers also bear liabilities for the content in their advertisements. In addition, for advertising content related to certain types of products and services, such as alcohol, cosmetics, pharmaceuticals and medical procedures, we are expected to confirm that the advertisers have obtained requisite government approvals, including operating qualifications, proof of quality inspection for the advertised products, government pre-approval of the content of the advertisements and filings with the local authorities. Although we have established internal policies to review and vet advertising content before it is placed on a content distribution channel to ensure compliance with applicable laws, we cannot ensure that each advertisement for which we provide agency services complies with all PRC laws and regulations relevant to advertising activities, that supporting documentation provided by our clients is authentic or complete, or that we are able to identify and rectify all non-compliances in a timely manner.

Moreover, civil claims may be filed against us for fraud, defamation, subversion, negligence, copyright or trademark infringement or other violations due to the nature and content of the information for which we provide design, production or agency services. For example, we generally represent and warrant in our contracts with content distribution channels as to the truthfulness of the advertising content that we place on these channels, and agree to indemnify the content distribution channels for any losses resulting from false, fraudulent, misleading or otherwise illegal advertising content that we place on these content distribution channels. On the other hand, not all our marketing campaign contracts contain a back-to-back representation and warranty as to the truthfulness of the advertising content or an indemnity provision where the clients undertake to hold us harmless in case we incur losses arising out of any false, fraudulent, misleading or otherwise illegal advertising content. In the event we are subject to government actions or civil claims in connection with false, fraudulent, misleading or otherwise illegal marketing content for which we provide agency services, our reputation, business and results of operations may be materially and adversely affected.

If we are not able to grow efficiently to meet our clients' increasing needs, our operating results could be harmed.

As usage of our solutions grows, we will need to devote additional resources to improving our system infrastructure. In addition, we will need to appropriately scale our internal business systems and our services organization, including account servicing staff, to serve marketers' growing demands. We cannot assure you these improvements and expansions to our infrastructure and staff will be fully or effectively implemented on a timely basis, if at all. Even if we are able to upgrade our systems and expand our staff, such expansion may be expensive and complex and require our management's time and attention. We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure and expand our staff. Any of these could impair the performance of our platform, reduce customer satisfaction and lead to client departure, which could harm our reputation and adversely affect our business and results of operations.

If we fail to offer high-quality account services, our business and reputation may suffer.

Our success in marketing and sale of our solutions and retention and expansion of client base depends on our ability to maintain a consistently high level of customer services, client education and technical support, which requires that our account servicing personnel have specific marketing domain knowledge and expertise. If we are unable to hire and train a sufficient number of support staff to provide effective and timely support to our clients, our clients' appreciation of, or satisfaction with, our solutions may be adversely affected, resulting in reduced client spending or departure and adversely affect our reputation and materially and adversely affect our business and results of operations.

If we fail to offer high-quality technical support services under enterprise solutions, our relationships with our clients and our financial results may be adversely affected.

Our clients on enterprise solution will depend on our support organization to resolve technical issues relating to our applications. We may be unable to respond quickly enough to accommodate short-term increases in their demand for support services. Increased demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales growth can be highly dependent on our applications and business reputation and on positive recommendations from clients. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell our service offerings to existing and prospective customers, and our business, operating results and financial position.

If we fail to innovate, adapt and respond timely and effectively to rapidly changing technologies and new trends in online marketing, our solutions may become less competitive or obsolete.

Our future success will depend on our ability to continuously innovate, enhance and broaden our solutions to meet evolving marketing needs, and address technological advancements and new trends in online marketing, in particular the growing popularity of online marketing via mobile channel. We may not be able to timely identify and respond to these new trends. The design of mobile devices and operating systems is controlled by third parties with which we do not have any formal relationship. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also restrict our ability to access specific content on mobile devices. If we fail to innovate or adapt our technologies and solutions so that they are compatible with these devices or operating systems, which in turn require that we maintain adequate research and development personnel and resources, our solutions may become less competitive or obsolete. In addition, any new solution that we develop may not receive wide acceptance as we anticipated. Any of these events could materially and adversely affect our business, results of operations and prospects.

If we are unable to protect our proprietary information or other intellectual property, our business could be adversely affected.

We rely on a combination of trademark and trade secret laws, and contractual restrictions, including through confidentiality, non-disclosure and assignment of invention assignment agreements with our key employees, consultants and third parties with whom we do business, to establish, maintain and protect our proprietary information and other intellectual property. Policing any misappropriation, unauthorized use or reverse engineering our proprietary information and other intellectual property is difficult and costly and the steps we have taken may be inadequate. For example, contractual restrictions may be breached, and we may not succeed in enforcing our rights or have adequate remedies for any breach of laws or contractual restrictions. In addition, we may not be able to enter into agreements or arrangements with everyone who has access to our proprietary information or contributes to the development of our intellectual property. Moreover, our trade secrets may be disclosed to or otherwise become known or be independently developed by competitors, and in these situations we may have no or limited rights to stop others' use of our information. Furthermore, to the extent that our employees, consultants or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights to such intellectual property. If, for any of the above reasons, our intellectual property is disclosed or misappropriated, it would have an adverse effect on our business, financial condition and results of operations.

Our business may suffer if it is alleged or determined that our technologies or any other aspects of our business infringe on the intellectual property rights of others.

As we continue to expand and as litigation or other similar proceedings become more common in resolving commercial disputes, we face a higher risk of being subject to intellectual property infringement claims. Companies in the internet, technology and media industries are increasingly bringing and becoming subject to suits alleging infringement of proprietary rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries are uncertain and evolving. In particular, our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented, declared generic or determined to be infringing on other marks. At times, third parties may adopt trade names or trademarks similar to those of ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered or unregistered trademarks that are similar to our registered or unregistered trademarks or trade names. If a third party has been using in commerce any mark that is confusingly similar to our trade names or trademarks, or has registered any such marks, prior to our use or registration of our trade names or trademarks, such third party could potentially bring infringement claims against us depending on the territory of the use or registration. Any such claim would require us to incur significant costs to defend, and if we are unsuccessful, we may be subject to an injunction and/or required to pay significant damages or spend significant time and resources to rebrand any relevant products or services.

We have received in the past, and expect to receive in the future, notices that claim we have infringed, misappropriated or misused other parties' trademark and other intellectual property rights. For example, in January 2015, iClick, Inc., a company incorporated in the state of Washington in the United States and the owner of a U.S. registered trademark for the term "iClick" filed an action in the United States District Court for the District of Colorado against one of our subsidiaries in Hong Kong, iClick Interactive Asia Limited, alleging trademark and trade name infringement and unfair competition, among others. The basis of iClick Inc.'s claims arose from iClick Interactive Asia Limited's use of the name iClick in the United States. We believe these claims lacked merit, primarily because the parties offer different goods and services, and therefore any chance of consumer confusion is remote. However, to avoid the costs and uncertainty of litigation, we settled the lawsuit in January 2016. Furthermore, we have not conducted any trademark clearance searches in the United States nor have we obtained any registrations or filed any applications for the registration of our trade names or trademarks in the United States. Although common law and federal law in the United States provide unregistered mark in use in the United States with protection against infringement, such protection is only limited to the geographic areas where such mark is in use. Therefore, we may not be able to effectively enforce and protect our trade names or trademark throughout the United States. Any litigation or other proceedings on intellectual property rights could be costly, time-consuming, divert management resources, and may impede our ability to use existing or develop new technologies or expand into new markets, any of which could have a material adverse effect upon our business and results of operations.

Past and future acquisitions, strategic investments, partnership or alliance could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value and adversely affect our results of operations and financial condition.

In July 2015, we acquired OptAim, a mobile marketing business. Since the acquisition, we have substantially expanded our mobile marketing business, with OptAim's complementary mobile analytics, attribution technologies, and content distribution channel partners that allow marketers to track and optimize marketing campaigns on mobile channels.

In November 2018, we made a controlling investment in Shanghai Myhayo Technology Co., Ltd., a content distribution channel and a mobile content aggregator of articles and short videos in the PRC, which presents customized feeds to users via its mobile application, as we seeks to increase our market shares in the PRC online marketing segment, particularly in relation to mobile platforms.

In January 2019, we made a controlling investment in Changyi (Shanghai) Information Technology Co., Ltd., or Changyi, as we seeks to extend our client solutions beyond the core digital marketing business, addressing enterprise needs in China, particularly in the emerging area of New Retail — an expanding and innovative market involving the combination of online and offline solutions. There can be no assurance that we will successfully enhance our enterprise solutions and go beyond our core digital marketing business by integrating, utilizing and leveraging Changyi's intelligent retail and customer relationship management (CRM) solutions, which may adversely affect our ability to achieve growth and business objectives, and have a material effect upon our business and results of operations.

In addition, future acquisitions, strategic investments, partnerships or alliances could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value and adversely affect our business and results of operations. We have limited experience in acquiring and integrating businesses, products and technologies. If we identify an appropriate acquisition candidate, we may not be successful in negotiating the terms and/or financing of the acquisition, and our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues related to intellectual property, product quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues. Any acquisition or investment may require us to use significant amounts of cash, issue potentially dilutive equity securities or incur debt. In addition, acquisitions, including our acquisitions of OptAim and our recent strategic investment in Changyi, involve numerous risks, any of which could harm our business, including:

- difficulties in integrating the operations, technologies, services and personnel of acquired businesses, especially if those businesses operate outside of our core competency;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- reputation and perception risks associated with the acquired product or technology by the general public;
- ineffectiveness or incompatibility of acquired technologies or solutions;
- potential loss of key employees of acquired businesses;
- inability to maintain the key business relationships and the reputations of acquired businesses;
- diversion of management's attention from other business concerns;
- litigation for activities of the acquired company, including claims from terminated employees, clients, former shareholders or other third parties;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, technology, or solution, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues;
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- costs necessary to establish and maintain effective internal controls for acquired businesses;
- failure to successfully further develop the acquired technology in order to recoup our investment; and
- increased fixed costs.

If we are unable to successfully fully integrate any future business, product or technology we acquire, our business, financial conditions and results of operations may suffer.

We may be required to record significant impairment charges as a result of our acquisitions.

As of December 31, 2018, we had US\$48.5 million of goodwill, which represented approximately 23.4% of our total assets, the majority of which was related to OptAim and its subsidiaries, VIE and VIE's subsidiary, which we acquired in 2015. Goodwill is recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if impairment indicators arise. In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. Such analyzes further require us to make judgmental assumptions about sales, operating margins, growth rates, and discount rates.

There are inherent uncertainties related to these factors and to management's judgment in applying these factors to the assessment of goodwill recoverability. Any possible changes in our judgmental assumptions on which the recoverability of goodwill is based would cause a change in the recoverable amounts of goodwill. In addition, we could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators, including experiencing disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of our business or market capitalization declines, any of which could be caused by our failure to manage OptAim or other entities in which we have controlling investment, or to successfully integrate their operations with our other operations. Impairment charges could negatively affect our reported earnings and financial ratios in the periods of such charges and limit our ability to obtain financing in the future. See "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Critical Accounting Policies — Impairment of Goodwill" for more information.

If we do not appropriately maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, we may be unable to accurately report our financial results and the market price of our ADSs may be adversely affected.

As a public company in the United States, we are subject to Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, which requires that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2018. In addition, once we cease to be an "emerging growth company" as such term is defined in JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

Our management has concluded that our internal control over financial reporting was not effective as of December 31, 2018. We and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting. These two material weaknesses identified relate to (1) the lack of sufficient accounting personnel with appropriate understanding of U.S. GAAP and SEC reporting requirements, and (2) the lack of a comprehensive accounting policies and procedures manual to facilitate preparation of U.S. GAAP financial statements, which inhibits our subsidiaries' ability to prepare consolidation from local books based on PRC GAAP and Hong Kong Financial Reporting Standards to their U.S. GAAP basis information for group financial reporting and imposes a risk that adjustments to U.S. GAAP are not identified in a timely manner. We have taken measures to remediate these weaknesses. In particular, we are in the process of hiring additional qualified accounting staff with an appropriate understanding of U.S. GAAP and SEC reporting requirements, establishing a comprehensive accounting policies and procedures manual and providing internal training to accounting and operation staff in relation to these policies and procedures. See "Item 15. Controls and Procedures." We cannot assure you, however, that these measures may fully address these deficiencies in our internal control over financial reporting or that we may conclude that they have been fully remedied. Our failure to correct these control deficiencies or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. This could in turn result in the loss of investor confidence in the reliability of our financial statements. As a result of these, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud. Furthermore, we have incurred and may need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward.

Failures or disruption in any systems, software or hardware infrastructure supporting our platform and solutions could significantly disrupt our operation and cause us to lose clients or partners.

The optimal performance of our solutions relies on the continued and uninterrupted performance of our systems, software and hardware infrastructure, and security and integrity of our data. They are vulnerable to damages from a variety of sources, some of which are out of our control, including telecommunications failures, power outages, cyber-attacks, or other malicious human acts and natural disasters. Any steps we take to increase the reliability and redundancy of our systems, software and hardware infrastructure supporting our platform and solutions and to improve the security of our data assets may be expensive and may not be successful in preventing system failures or disruption. For example, techniques used to obtain unauthorized access to or sabotage our data or otherwise hack our systems change frequently and generally are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. Sustained or repeated failures or disruption in our systems, including from security breaches, whether actual or perceived, could significantly reduce the attractiveness of our solutions, harm our reputation, result in our liabilities and have a material adverse effect on our business and results of operations.

In addition, our business may be negatively affected by interruptions or delays in services provided by third-party system or infrastructure providers that we rely upon. We currently lease data centers and utilize related equipment and services from third-party data center providers. All of our data gathering and analytics are conducted on, and the marketing content we deliver are processed through, our servers located in these data centers and their cloud. We also rely on bandwidth providers and internet information service providers to deliver marketing content. While we have disaster recovery arrangements in place, our testing in actual disasters or similar events is limited and any damage to, or failure of, the systems or facilities of our third-party providers, including as a result of any occurrence of a natural disaster, an act of terrorism, vandalism or sabotage, a decision to close any data center or the facilities of any other third-party provider without adequate notice, or other unanticipated problems at these facilities, could adversely impact our ability to deliver our solution to marketers and have a material adverse effect on our business and results of operations.

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

Our technology platform incorporates software licensed from third parties, including open source software, which we use without charge. Although we monitor our use of open source software, 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 solution to our clients. 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 offering our solution, 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 solutions or discontinue use of portions of the functionality provided by our solutions. 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 platform, which could materially and adversely affect our business and results of operations.

If we fail to detect fraud or serve marketers' marketing content on undesirable websites, our reputation will suffer, which would harm our brand and negatively impact our business and results of operations.

Our business depends in part on providing marketers with solutions that they can trust, and we have contractual commitments to take reasonable measures to prevent marketer's marketing content from appearing on undesirable websites. We use proprietary technologies and third party services to detect click fraud and block inventory on websites with inappropriate content. However, technologies utilized by bad actors are constantly evolving. Preventing and combating fraud and inappropriate content requires constant vigilance and investment of time and resources. We may not always be successful in our efforts to do so. If we serve marketing content on websites that are objectionable to marketers, or inadvertently purchase content distribution opportunities for marketers that proves to be unacceptable for their marketing campaigns, such as fraudulent bot generated impressions, we may lose business and incur damages to our brand and reputation. In addition, we may be exposed to liabilities or the need to provide credits or refunds to our clients, and our business and results of operations may be harmed.

Any negative publicity with respect to us, the online marketing industry in general or our partners may materially and adversely affect our reputation, business and results of operations.

Complaints, litigation, regulatory actions or other negative publicity that arise about the online marketing industry in general or our company in particular, including on the quality, effectiveness and reliability of online marketing solutions, privacy and security practices, and online marketing content, even if inaccurate, could adversely affect our reputation and client confidence in, and the use of, our solutions. Harm to our reputation and client confidence can also arise for many other reasons, including employee misconduct, misconduct of our data and content distribution channel partners, data center providers or other counterparties, failure by these persons or entities to meet minimum quality standards or otherwise fulfill their contractual obligations or to comply with applicable laws and regulations. Additionally, negative publicity with respect to our data or content distribution channel partners could also affect our business and results of operation to the extent that we rely on these partners or if marketers or marketing agencies associate our company with such partners.

If we fail to promote or maintain our brand in a cost-efficient manner, our business and results of operations may be harmed.

We believe that developing and maintaining awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our solutions, and is an important element in attracting new clients and partners. Furthermore, we believe that the importance of brand recognition will increase as competition in our market increases. Successful promotion of our brand will depend largely on our ability to deliver value propositions to marketers and on the effectiveness of our marketing efforts. In the past, our efforts to build our brand have involved significant expenses and promotion of our brand may be subject to restrictions and challenges. For example, as part of the settlement of the trademark infringement lawsuit brought by iClick, Inc. in January 2015, although we are free to use the term "iClick" in connection with our business in the United States, we are subject to ongoing obligations and restrictions to certain types of marketing and promotion that contain that term. In addition, our brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract enough new clients or retain our existing clients and our business and results of operations can be materially and adversely affected.

Misconduct, errors and failure to function by our employees could harm our business and reputation.

We are exposed to many types of operational risks, including the risk of misconduct and errors by our employees. Our business depends on our employees to process a large number of marketing campaigns orders, which involve the use of audience data and marketers' business information. We could be materially adversely affected if such data or information was disclosed to unintended recipients or if we experience an operational breakdown or failure in the processing of a marketing campaign whether as a result of human error, a purposeful sabotage or a fraudulent manipulation of our operations or systems. We could also be materially adversely affected if our employees absconded with our proprietary data or used our know-how to compete with us. Although employees have left our company in the past and may have violated the non-compete and non-solicitation clauses in their employment agreements with little impact on our business, future violations of these clauses could have a material adverse effect on our business. Any of these occurrences could result in our diminished ability to operate our business, potential liability to our clients, inability to attract future clients, reputational damage, regulatory intervention and financial harm, which could negatively impact our business and results of operations.

We may not be able to obtain additional capital when desired, on favorable terms or at all.

We intend to continue to make investments to support our business growth and may require additional funds, to respond to business challenges, including to better support and serve our clients and provide better terms for our clients to capture more market share, develop new features or enhance our platform and solutions, improve our operating and technology infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in public or private equity, equity-linked or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our ordinary shares. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, including the ability to pay dividends. This may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and respond to business challenges could be significantly impaired, and our business and prospects could be adversely affected.

If we do not retain our senior management team and key employees, or attract additional technology and sales talents, we may not be able to sustain our growth or achieve our business objectives.

Our future success is substantially dependent on the continued service of our senior management team and key employees. Our management team is currently spread across multiple physical locations and geographies, which can strain the organization and make coordinated management more challenging. Our future success also depends on our ability to continue to attract, retain and motivate highly skilled employees, particularly employees with technical skills that enable us to deliver effective marketing solutions, and sales and marketing, and publisher development and support personnel with experience in online marketing. Competition for these employees in our industry is intense. As a result, we may be unable to attract or retain these management, technical, sales and marketing and publisher development and support personnel who are critical to our success, resulting in harm to our key marketer and publisher relationships, loss of key information, expertise or proprietary knowledge and unanticipated recruitment and training costs. The loss of the services of our senior management or other key employees could make it more difficult to successfully operate our business and pursue our business goals.

Increases in labor costs in the PRC may adversely affect our business and results of operations. Most of our employees are based in China. Chinese economy has experienced increases in inflation and labor costs in recent years. As a result, average wages in the PRC are expected to continue to increase. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increased labor costs to our users by increasing the fees of our services, our financial condition and results of operations may be adversely affected.

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

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide solutions and services on our platform. Our business could also be adversely affected by the effects of Ebola virus disease, Zika virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having Ebola virus disease, Zika virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or other epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the Chinese economy in general.

Most of our system hardware and back-up systems are hosted in leased facilities in Hong Kong, Shanghai, Beijing, Guangzhou and Zhejiang province, and most of our directors, senior management and employees are based in Hong Kong, Shanghai and Beijing. Therefore, if any of the above-mentioned natural disasters, health epidemics or other outbreaks were to occur in these regions, our operations may experience material disruptions, such as temporary closure of our offices and suspension of services, which may materially and adversely affect our business and results of operations.

We do not have any business insurance coverage.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. Currently, we do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

Risks Related to Our Corporate Structure

We rely on the contractual arrangements that establish the structure for certain of our operations in China and we will need to rely on the contractual arrangements when and to the extent our operations are deemed as foreign-related survey.

Foreign ownership in advertising business used to be subject to certain restrictions under the PRC laws and regulations. For example, according to the Administrative Provisions on Foreign-Invested Advertising Enterprises, which were abolished in June 2015, foreign investors were required to meet several conditions in order to invest in PRC advertising business, such as a minimum number of years of advertising-related experience and an approval from the relevant PRC regulatory authority. OptAim, which we acquired in July 2015, is a Cayman Islands company and OptAim Beijing, its PRC subsidiary, is considered a foreign invested enterprise, or FIE. To comply with the then-effective PRC laws and regulations, including the Administrative Provisions on Foreign-Invested Advertising Enterprises, OptAim Beijing entered into a set of contractual arrangements with OptAim Network and its shareholders. For a detailed description of these contractual arrangements, see “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with OptAim Network.” As a result of these contractual arrangements, we exert control over OptAim Network and its subsidiaries, and consolidate their operating results in our financial statements under U.S. GAAP.

After the abolishment of the foreign ownership restriction in advertising business, we had been transferring the advertising business previously operated by our VIE, OptAim Network, primarily consisting of our mobile marketing solution business, to our wholly-owned subsidiaries. As of December 31, 2018, our wholly-owned subsidiaries had replaced OptAim Network as contracting party for all our mobile marketing solution business. In November 2018, OptAim Network made a controlling investment in Shanghai Myhayo Technology Co., Ltd., or Myhayo, a content distribution channel and a mobile content aggregator of articles and short videos in the PRC, which presents customized feeds to users via its mobile application. The mobile application operated by Myhayo allows users to earn points from their daily access, which could be used to redeem cash rewards. It is unclear whether Myhayo’s business model would render it a commercial operator of value-added telecommunication services under the relevant PRC laws, in which case Myhayo would be required to hold a value-added telecommunication license. See “—Risk Related to Our Business and Industry—We may be required to obtain value-added telecommunications business operation license for the business carried out by certain consolidated entity.” Current PRC laws and regulations impose certain restriction on foreign investment in value-added telecommunication services. See “—Regulations—Regulations on Foreign Direct Investment in Value-Added Telecommunications Companies”. As a result, we made our controlling investment in Myhayo through OptAim Network, our VIE. As of the date hereof, Myhayo is in the process of applying for the value-added telecommunication services operation license. In 2017, OptAim Network contributed 11.1% to our gross billing and 20.2% of our net revenues, and in 2018, OptAim Network contributed 0.7% to our gross billing and 1.8% of our net revenues.

Under the Measures on the Administration of Foreign-related Surveys, or the Foreign-related Surveys Measures, promulgated by the National Bureau of Statistics of China on October 13, 2004, no individual or organization may conduct any foreign-related survey without a license for foreign-related survey granted by the National Bureau of Statistics in China or its local counterparts. Under the Catalogue for the Guidance of Foreign Investment Industries, or Foreign Investment Catalog, promulgated by the Ministry of Commerce and National Development and Reform Commission on June 28, 2017, only a domestic enterprise or a sino-foreign enterprise which meets the several requirements stipulated in the Foreign-related Surveys Measures can apply for a license for the foreign-related survey. On June 28, 2018, MOFCOM and NDRC jointly promulgated the Special Administrative Measures (Negative List 2018) for Foreign Investment Access, or the Special Administrative Measures, which replaced the negative list attached to the Foreign Investment Catalog in 2017. Industries that are not listed in the Special Administrative Measures are permitted areas for foreign investments, and are generally open to foreign investment unless specifically restricted by other PRC regulations. We do not believe our collection and use of multiple kinds of data from multiple sources in China to improve the cost-effectiveness of marketing campaigns for marketers in and outside China fall within the scope of “foreign-related survey” under the Foreign-related Survey Measures listed under the Special Administrative Measures. However, there are uncertainties under the PRC Laws whether such activities may be deemed as “foreign-related survey”, which would require a foreign-related survey license from the National Bureau of Statistics in China or its local counterparts. In light of these uncertainties and out of prudence, we, through our VIE OptAim Network applied for and were granted a foreign-related survey license on June 6, 2017 by the Chinese National Bureau of Statistics. If the PRC regulatory authorities disagree with our interpretation of what would constitute foreign-related survey and enforcement practices on foreign-related survey licensing requirement or if we expand our business scope to engage in activities falling within the scope of foreign-related survey, we will need to continue to rely on OptAim Beijing’s contractual arrangements with OptAim Network and its shareholders to conduct certain of our operations in China, including to transfer such operations to our VIE to the extent they are deemed foreign-related survey.

In the opinion of our PRC counsel, Jingtian & Gongcheng, our current ownership structure, the ownership structure of our PRC subsidiaries, our consolidated variable interest entity and its subsidiary, and the contractual arrangements among OptAim Beijing, OptAim Network and the shareholders of OptAim Network are not in violation of existing PRC laws, rules and regulations; and these contractual arrangements are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect. However, Jingtian & Gongcheng has also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC counsel.

It is uncertain whether any new PRC laws, rules or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. Please see “— Substantial uncertainties exist with respect to the newly enacted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.” for more information. Regulations on Foreign Investment If the ownership structure, contractual arrangements and business of our company, our PRC subsidiaries or our consolidated variable interest entity and its subsidiary are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income or the income of our PRC subsidiaries, consolidated variable interest entity or its subsidiary, revoking the business licenses or operating licenses of our PRC subsidiaries, consolidated variable interest entity or its subsidiary, shutting down our servers or blocking our online platform, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring, restricting or prohibiting our use of proceeds from our initial public offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business and results of operations. If any of these occurrences results in our inability to direct the activities of our consolidated variable interest entity and its subsidiary, and/or our failure to receive economic benefits from our consolidated variable interest entity and its subsidiary, we may not be able to consolidate their results into our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with our variable interest entity and its shareholders for certain of our business operations, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with our variable interest entity, OptAim Network, and its shareholders for part of our online marketing business on mobile channels in China, as well as certain other complementary businesses, and to the extent our operations are deemed as foreign-related survey. For a description of these contractual arrangements, see “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with OptAim Network.” These contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated variable interest entity and its subsidiary.

If we had direct ownership of OptAim Network and its subsidiaries, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of OptAim Network and its subsidiaries, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by OptAim Network and the shareholders of OptAim Network of their obligations under the contracts to exercise control over our consolidated variable interest entity and its subsidiaries. The shareholders of our consolidated variable interest entity may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with OptAim Network and its shareholders. In addition, if any third party claims any interest in such shareholders' equity interests in OptAim Network, our ability to exercise shareholders' rights or foreclose the share pledge according to the contractual arrangements may be impaired. Therefore, our contractual arrangements with our consolidated variable interest entity may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

Any failure by our variable interest entity or its shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

If our consolidated variable interest entity or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective under PRC laws. For example, if the shareholders of OptAim Network were to refuse to transfer their equity interest in OptAim Network to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholders' equity interests in OptAim Network, our ability to exercise shareholders' rights or foreclose the share pledge according to the contractual arrangements may be impaired.

All the agreements under our contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. Such disputes do not include claims arising under the United States federal securities laws and therefore these arbitration provision do not prevent you from pursuing claims under the United States federal securities law. The legal system in the PRC is different from some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC laws, rulings by arbitrators are final and parties cannot appeal arbitration results in court unless such rulings are revoked or determined unenforceable by a competent court. If the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our consolidated variable interest entity and its subsidiary, and our ability to conduct our business may be negatively affected.

The shareholders of our variable interest entity, may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The equity interests of OptAim Network are held by Mr. Jian Tang, who is our co-founder, director, chief operating officer and chief technology officer, and Ms. Jie Jiao, who is our former chief financial officer. As of the date of this annual report, we are arranging the transfer of Ms. Jie Jiao's equity interest in OptAim Network to an affiliate of our company. Their interests may differ from the interests of our company as a whole. These shareholders may breach, or cause our consolidated variable interest entity to breach, or refuse to renew the existing contractual arrangements we have with them and our consolidated variable interest entity, which would have a material adverse effect on our ability to effectively control our consolidated variable interest entity and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with OptAim Network to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the second amended and restated exclusive option agreement with these shareholders to request them to transfer all of their equity interests in OptAim Network to a PRC entity or individual designated by us, to the extent permitted by PRC laws. If we cannot resolve any conflict of interest or dispute between us and the shareholders of OptAim Network, we would have to rely on legal proceedings, which could result in the disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements in relation to our variable interest entity may be subject to scrutiny by the PRC tax authorities and they may determine that we or our PRC variable interest entity owe additional taxes, which could negatively affect our results of operations and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The PRC Enterprise Income Tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between our wholly-owned subsidiary OptAim Beijing, our variable interest entity OptAim Network and the shareholders of OptAim Network were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust OptAim Network's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by OptAim Network for PRC tax purposes, which could in turn increase their tax liabilities without reducing OptAim Beijing's tax expenses. In addition, if OptAim Beijing requests the shareholders of OptAim Network to transfer their equity interests in OptAim Network at nominal or no value pursuant to these contractual arrangements, such transfer could be viewed as a gift and subject OptAim Beijing to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on OptAim Network for the adjusted but unpaid taxes according to the applicable regulations. Our results of operations could be materially and adversely affected if OptAim Network's tax liabilities increase or if they are required to pay late payment fees and other penalties.

Substantial uncertainties exist with respect to the newly enacted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which will come into effect on January 1, 2020 and replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, uncertainties still exist in relation to interpretation and implementation of the Foreign Investment Law, especially in regard to, including, among other things, the nature of "variable interest entity" structure. As a result, the Foreign Investment Law may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though the Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment.

If our contractual arrangements is considered a form of foreign investment, then we may be required to complete the MOC market entry clearance, and we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to obtain such clearance when required, our VIE structure may be regarded as invalid and illegal. As a result, we would not be able to (i) continue our business in China through our contractual arrangements with the VIE and shareholders of the VIE, (ii) exert control over the VIE, (iii) receive the economic benefits of the VIE under such contractual arrangements, or (iv) consolidate the financial results of the VIE. Were this to occur, our results of operations and financial condition would be materially and adversely affected and the market price of our ADSs may decline. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

If we exercise the option to acquire equity ownership of OptAim Network, the ownership transfer may subject us to certain limitation and substantial costs.

Pursuant to the contractual arrangements, OptAim Beijing has the exclusive right to purchase all or any part of the equity interests in OptAim Network from OptAim Network's shareholders for a nominal price, unless the relevant government authorities or then applicable PRC laws request that a minimum price amount be used as the purchase price, in such case the purchase price shall be the lowest amount under such request. The shareholders of OptAim Network will be subject to PRC individual income tax on the difference between the equity transfer price and the then current registered capital of our consolidated variable interest entity. Additionally, if such a transfer takes place, the competent tax authority may require OptAim Beijing 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.

Risks Related to Doing Business in China

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

The PRC legal system is based on written statutes. Unlike common law legal systems, prior court decisions may be cited for reference but have limited precedential value. The PRC legal system evolves rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

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 more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations. Litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and results of operations.

Our primary operations are based in, and a substantial percentage of our revenue is generated from, 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 PRC 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 addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over 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 PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC 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 adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position.

A downturn in the Chinese or global economy could reduce the demand for our solutions, which could materially and adversely affect our business and results of operations.

The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The recovery from the lows of 2008 and 2009 has been uneven and is facing new challenges, including the escalation of the European sovereign debt crisis from 2011 and the slowdown of the Chinese economy since 2012. It is unclear whether the Chinese economy will resume its high growth rate.

Furthermore, the government of the United Kingdom held an in-or-out referendum on its membership in the European Union on June 23, 2016. The referendum resulted in a vote in favor of the exit of the United Kingdom from the European Union, or “Brexit”. On April 11, 2019, the European Union granted the UK an extension to the Brexit deadline until October 31, 2019. The purpose of this extension is to allow for the ratification of the Withdrawal Agreement. If the Withdrawal Agreement is ratified, the United Kingdom will leave the European Union earlier than October 31, 2019. As a condition of the extension, the United Kingdom must take part in European Union elections on May 23, 2019. If it does not, the UK must leave the EU on June 1, 2019 without any formal withdrawal arrangements. The uncertainty caused by Brexit could negatively impact all of the economies and market conditions of the European Union and/or worldwide, and could continue to contribute to instability in the global financial markets. To the extent we may seek to expand our business in the European market, the uncertainty surrounding the terms of the Brexit and its consequences could adversely impact our clients’ spending budget on our solutions, which could harm our results of operations.

There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. There have also been concerns over unrest in Ukraine, the Middle East and Africa, which have resulted in volatility in financial and other markets. There have also been concerns about the economic effect of the tensions in the relationship between China and surrounding Asian countries. Economic conditions in China are sensitive to global economic conditions. Any prolonged slowdown in the global or Chinese economy may reduce the demand for our solutions and have a negative impact on our business, results of operations and financial condition. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

We rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a Cayman Islands exempted limited liability company, used as a holding company, and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including payment of dividends and other cash distributions to holders of our ordinary shares and services of any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries, as wholly foreign-owned enterprises in China, may pay dividends only out of their respective accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such funds reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

In addition, the PRC tax authorities may require our PRC subsidiaries to adjust its taxable income under the contractual arrangements it currently has in place with our consolidated variable interest entity in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by, registration or record filing with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and registration with other governmental authorities in China. In addition, (a) any foreign loan procured by our PRC subsidiaries is required to be registered with the State Administration of Foreign Exchange, or SAFE, or its local branches, and (b) except as otherwise regulated by laws or regulations each of our PRC subsidiaries may procure loans which do not exceed the difference between its registered capital and its total investment amount as recorded in FICMIS, or as an alternative, do not exceed the upper limit as specified in the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing as promulgated by PBOC on January 11, 2017. Any medium or long term loan to be provided by us to our variable interest entity must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of our offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

In 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, which used to regulate the conversion by foreign-invested enterprises of foreign currency into Renminbi by restricting the usage of converted Renminbi. On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015 and superseded SAFE Circular 142 on the same date. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the Renminbi fund converted from their foreign exchange capitals for expenditure beyond their business scopes, investment in security market, offering of entrustment loans or purchase of any investment properties. On June 9, 2016, the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement, or SAFE Circular 16, was promulgated. In addition to restating the general principles of SAFE Circular 19, SAFE Circular 16 explicitly stipulates that foreign debts and repatriated funds raised through overseas listings as foreign exchange receipts can be settled discretionally. SAFE Circular 16 continues to prohibit foreign-invested enterprises from using the Renminbi funds converted from their foreign exchange capitals for expenditures beyond their business scopes, investments in security market, offerings of entrustment loans or purchases of any investment properties. Although SAFE Circular 16 further relaxes the control over foreign exchange settlement of capital accounts, in practice, there are still several specific requirements that limit the abilities of PRC enterprises to access the offshore financing capitals, which may adversely affect our business, financial conditions and operating results.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the price of our ADSs.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. The depreciation of Renminbi against the U.S. dollar was approximately 6.7% in 2016, while the Renminbi appreciated 6.7% against the U.S. dollar in 2017. In 2018, the Renminbi has, again, depreciated 5.4% against the U.S. dollar. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. In addition, the People's Bank of China may, from time to time, release policies and measures concerning the foreign exchange market to limit fluctuations in Renminbi exchange rates and for other policy considerations.

A substantial portion of our revenues and costs are denominated in Renminbi, whereas our reporting currency is the U.S. dollar. Any significant depreciation of the Renminbi may materially and adversely affect our revenues, earnings and financial position as reported in U.S. dollars. To the extent that we need to convert U.S. dollars we receive from our offshore fundraisings into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have an adverse effect on the U.S. dollar amount available to us.

We estimate that a 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2016 would result in a decrease of US\$6.7 million and US\$5.3 million in our net revenues and cost of revenues in 2016, respectively, a 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2017 would result in a decrease of US\$10.4 million and US\$9.4 million in our net revenues and cost of revenues in 2017, respectively, and a 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2018 would result in a decrease of US\$14.1 million and US\$11.6 million in our net revenues and cost of revenues in 2018.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Governmental control of 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 Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a substantial portion of our revenues in Renminbi. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments from our PRC subsidiaries and HK 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 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 government authorities is required where the Renminbi 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, as enterprises shall duly file the cross-border financing contracts according to the Circular of the People's Bank of China on Matters relating to the Macro-prudential Management of Full-covered Cross-border Financing for the Issuance of Foreign Debts by Enterprise, or Circular on Management of Cross-border Financing, effective on January 12, 2017, and any medium or long term loan to be provided by foreign entities to domestic enterprises must be recorded and registered by the National Development and Reform Committee, or the NDRC, according to the Circular on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises, or Circular on Promoting the Administrative Reform, by the NDRC on September 14, 2015.

In light of the flood of capital outflows of China in 2016 due to the weakening Renminbi, 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 in the future to foreign currencies 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, including holders of our ADSs.

PRC regulations relating to investments in offshore special purposes companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014. SAFE Circular 37 requires PRC residents to register with the local SAFE branches in connection with their direct establishment or indirect control of any offshore entity, referred to in SAFE Circular 37 as a "special purpose vehicle", for the purpose of overseas investment and financing with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. SAFE Circular 37 requires further registrations in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material events. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill this required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and it may be restricted from contributing additional capital into its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liabilities under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37 since June 1, 2015. Beneficial owners of the special purpose vehicle who are PRC citizens are also required to make annual filing with the local banks regarding their overseas direct investment status.

Certain beneficial owners of our shares who are PRC residents have not completed their registration with the SAFE for their beneficial ownership of our shares. Moreover, we do not have control over our beneficial owners and may not be aware of the identities of all of our beneficial owners. We cannot assure you that all of our PRC-resident beneficial owners comply with SAFE Circular 37 and subsequent implementation rules. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. These risks may have a material adverse effect on our business, financial condition and results of operations.

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.

Among other things, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the Ministry of Commerce of the People's Republic of China, or the MOFCOM, be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council in 2008, were triggered. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress of the PRC, which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the MOFCOM before they can be completed. In addition, the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors which became effective in March 2011 require acquisitions by foreign investors of PRC companies engaged in military related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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 SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to the SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In the meantime, our directors, executive officers and other employees who are PRC citizens or who are non-PRC residents residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, and who have been granted incentive share awards by us, may follow the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, promulgated by the SAFE in 2012, or the 2012 SAFE Notices. Pursuant to the 2012 SAFE Notices, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our 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 options are subject to these regulations. 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 PRC subsidiaries and limit our PRC 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, executive officers and employees under PRC law. See "Item 4. Information On the Company—B. Business Overview — Regulation — Regulations on Foreign Exchange — Equity Incentive Plans."

The State Administration of Taxation, or SAT, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries 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 our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities. See "Item 4. Information On the Company—B. Business Overview — Regulation — Regulations on Foreign Exchange — Equity Incentive Plans."

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. We have not made adequate employee benefit payments. We may be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax 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 the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, as amended on December 29, 2017, 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 applies only 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 State Administration of Taxation’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. See “Item 10. Additional Information—E. Taxation — People’s Republic of China Taxation.” 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 a majority 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 iClick Interactive Asia Group Limited or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then iClick Interactive Asia Group Limited 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, income and any gains realized in respect to our ordinary shares or ADSs may be deemed by the PRC tax authorities as income or gain, as the case may be, arising from sources within the PRC, as described immediately below.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ordinary shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and our shareholders’ jurisdictions of residence that provide for a different income tax arrangement, PRC withholding tax at the rate of 10% is generally applicable to dividends from PRC sources paid to shareholders that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such shareholders is subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

As described in the preceding risk factor, there is a risk that we will be treated by the PRC tax authorities as a PRC tax resident enterprise. In that case, dividend income and gains from sales of our shares or ADSs may be treated as PRC source income or gains subject to the PRC taxes described above.

If PRC income tax is imposed on gains realized on the transfer of our ordinary shares or ADSs or on dividends paid to our non-resident shareholders or ADS holders, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected. Furthermore, our shareholders or ADS holders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

We may not be able to obtain certain benefits under relevant tax treaty on dividends paid by our PRC subsidiaries to us through our Hong Kong subsidiaries.

We are an exempted limited liability company, used as holding company, incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries, as paid to us through our Hong Kong subsidiaries, to satisfy part of our liquidity requirements. Pursuant to the PRC Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise investor, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement, and Circular 81 issued by the SAT, such withholding tax rate may be lowered to 5% if the PRC enterprise is at least 25% held by a Hong Kong enterprise throughout the 12 months prior to distribution of the dividends and is determined by the relevant PRC tax authority to have satisfied other requirements. Furthermore, under the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties, which became effective in August 2015, the non-resident enterprises shall determine whether they are qualified for preferential tax treatment under the tax treaties and file relevant reports and materials with the tax authorities. There are also other conditions for benefiting from the reduced withholding tax rate according to other relevant tax rules and regulations. See “Item 10. Additional Information—E. Taxation — People’s Republic of China Taxation.” We cannot assure you that our determination regarding our Hong Kong subsidiaries’ qualification to benefit from the preferential tax treatment will not be challenged by the relevant PRC tax authority or that we will be able to complete the necessary filings with the relevant PRC tax authority and benefit from the preferential withholding tax rate of 5% under the Double Taxation Avoidance Arrangement with respect to dividends to be paid by our PRC subsidiaries to our Hong Kong subsidiaries.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the SAT in 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (a) has an effective tax rate less than 12.5% or (b) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises, or SAT Public Notice 7. SAT Public Notice 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698, which remain in force. SAT Public Notice 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698 (Article V and Article VI). SAT Public Notice 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company (other than by way of sale of equity securities traded on a public market), which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and will the applicable taxes be withheld from payments to the transferor, currently at a rate of 10%. Both the transferor and the PRC entity that directly owns the taxable assets, or the withhold agent, may be subject to penalties under PRC tax laws if the withhold agent fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed or subject to withholding obligations in such transactions, under SAT Circular 698 and SAT Public Notice 7. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Circular 698 and SAT Public Notice 7. As a result, we may be required to expend valuable resources to comply with SAT Circular 698 and SAT Public Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

The audit report included in this annual report has been issued by auditors whose work, in part, is outside the scope of inspection by the PCAOB and, as such, you may be deprived of the benefits of such inspection with respect to such work.

Our independent registered public accounting firm that issues the audit report included in our prospectus filed with the U.S. Securities and Exchange Commission, or the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor’s audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Proceedings instituted by the SEC against Chinese affiliates of the “big four” accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

Starting in 2011 the Chinese affiliates of the “big four” accounting firms, including our independent registered public accounting firm, were affected by a conflict between U.S. and Chinese law. Specifically, for certain U.S.-listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese firms access to their audit work papers and related documents. The firms were, however, advised and directed that under Chinese law, they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the CSRC. In December 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese affiliates of the “big four” accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC’s rules and regulations thereunder by failing to provide to the SEC the firms’ audit work papers with respect to certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, the administrative law judge, or the ALJ, presiding over the matter rendered an initial decision that each of the firms had violated the SEC’s rules of practice by failing to produce audit papers and other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms were to receive matching Section 106 requests, and were required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they failed to meet specified criteria, the SEC retained authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure.

Under the terms of the settlement, the underlying proceeding against the Chinese affiliates of the “big four” accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. We cannot predict if the SEC will further challenge Chinese affiliates of the “big four” accounting firms’ compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions. If additional remedial measures are imposed on the Chinese affiliates of the “big four” accounting firms, including our independent registered public accounting firm, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event that the Chinese affiliates of the “big four” become subject to additional legal challenges by the SEC or PCAOB, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of our common stock may be adversely affected.

If our independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of the ADSs from Nasdaq or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of the ADSs in the United States.

Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and consequently investors may be deprived of the benefits of such inspection.

Our auditor, the independent registered public accounting firm that issued the audit reports included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with applicable professional standards. Our auditor is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities. In May 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. PCAOB continues to be in discussions with the China Securities Regulatory Commission, or CSRC, and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. However, it remains unclear what further actions, if any, the SEC and PCAOB will take to address the problem.

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Risks Related to Our American Depositary Shares

The market price for our ADSs may be volatile.

Since our ADSs became listed on NASDAQ Global Market on December 21, 2017, the trading price of our ADSs has ranged from US\$2.7 to US\$10.4 per ADS in 2018. The trading prices of our ADSs are volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed internet or other companies based in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in their trading prices. The trading performances of other Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. Furthermore, as a result of the narrow band of our ADSs publicly available for trading, small trades can cause significant percentage changes in valuation in a short time period. Such volatility may affect the attitude of investors towards our securities, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. Furthermore, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009 and the second half of 2011, which may have a material adverse effect on the market price of our ADSs.

In addition to the above factors, the price and trading volume of our ADSs may be highly volatile due to multiple other factors, including the following:

- regulatory developments affecting us, our clients and end marketers, or our industry;
- conditions in the online marketing industry;
- fluctuation of our results of operations from quarter to quarter due to seasonality in online marketing business, which may be affected by the online spending cycles of consumers and marketers' practices in marketing budget allocation;
- announcements of studies and reports relating to the quality of our solutions and service offerings or those of our competitors;
- changes in the economic performance or market valuations of other providers of online marketing solutions;
- actual or anticipated fluctuations in our quarterly results of operations and changes in or revisions to our expected results;
- changes in financial estimates by securities research analysts;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures or capital commitments;
- additions to or departures of our senior management;
- detrimental negative publicity about us, our management or our industry;
- fluctuations of exchange rates between Renminbi and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs;
- sales or perceived potential sales of additional ordinary shares or ADSs; and
- potential litigation or regulatory investing actions.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

Our dual-class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have a dual-class share structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. In respect of matters requiring the votes of shareholders, holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 20 votes per share based on our dual-class share structure. Our ADSs represent Class A ordinary shares. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares.

As of the date of this annual report, Mr. Sammy Hsieh and Mr. Jian Tang beneficially own an aggregate of 4,820,608 Class B ordinary shares. Due to the disparate voting powers associated with our dual-class share structure, Mr. Hsieh and Mr. Tang, beneficially own approximately 80.3% of the aggregate voting power of our company as of March 31, 2019. See "Item 6. Directors, Senior Management and Employees—E. Share Ownership." As a result of the dual-class share structure and the concentration of ownership, Mr. Hsieh and Mr. Tang will have considerable influence over matters such as decisions regarding change of directors, mergers, change of control transactions and other significant corporate actions. They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

Our directors, officers and principal shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

Our directors and officers collectively own an aggregate of 81.4% of the total voting power of our outstanding ordinary shares as of March 31, 2019. See "Item 6. Directors, Senior Management and Employees—E. Share Ownership." As a result, they have substantial influence over our business, including significant corporate actions such as change of directors, mergers, change of control transactions and other significant corporate actions.

They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of the ADSs. These actions may be taken even if they are opposed by our other shareholders, including ADS holders. In addition, the significant concentration of share ownership may adversely affect the trading price of the ADSs due to investors' perception that conflicts of interest may exist or arise.

We have granted, and may continue to grant, share incentives, which may result in increased share based compensation expenses.

We adopted a stock option plan in 2010, or the 2010 Plan. We adopted another share incentive plan in 2017, or the 2017 Plan, which was renamed as the Post-IPO Share Incentive Plan in May 2018, or “**Post-IPO Plan**”. We also adopted the 2018 Share Incentive Plan in May 2018, or the 2018 Plan, which replaces and reproduces the 2010 Plan in its entirety and assumes all awards granted under the 2010 Plan, or “**2018 Plan**,” and the 2010 Plan was terminated as a result. The purpose of these plans is to grant share-based compensation awards to employees, directors and advisors to incentivize their performance and align their interests with ours. In addition, in December 2016, our board of directors and shareholders authorized the issuance of 1,068,114 restricted Class A ordinary shares to Jian Tang and certain other employees in China upon the fulfillment of certain performance conditions in 2017, and the issuance of 801,086 restricted Class A ordinary shares to Jian Tang and certain other employees in China upon the fulfillment of certain performance conditions in 2018. Since the performance conditions were not fulfilled in 2017 and 2018, the 1,068,114 and 801,086 restricted Class A ordinary shares were not issued to Jian Tang and certain other employees. We account for compensation costs for all share incentives using a fair-value based method and recognize expenses in our consolidated statements of comprehensive loss in accordance with U.S. GAAP.

Under our 2018 Plan, the maximum aggregate number of Class A ordinary shares which may be issued pursuant to all awards under the plan is 2,398,137. As of March 31, 2019, options to purchase 853,056 Class A ordinary shares are outstanding under our 2018 Plan, including unvested options to purchase 58,385 Class A ordinary shares, and vested and unexercised options to purchase 794,671 Class A ordinary shares.

On September 22, 2018, our board of directors of the Registrant approved an increase of 1,500,000 Class A ordinary shares to the award pool under the Post-IPO Plan. As a result, the maximum number of ordinary shares which may be issued pursuant to all awards under the Post-IPO Plan shall initially be 2,500,000 Class A ordinary shares, plus an annual increase on the first day of each of our fiscal year during the term of the Post-IPO Plan commencing with the fiscal year beginning January 1, 2018, by an amount equal to the least of (i) 0.5% of the total number of Class A ordinary shares issued and outstanding on the last day of the immediately preceding fiscal year; (ii) 150,000 Class A ordinary shares or (iii) such number of Class A ordinary shares as may be determined by our board of directors. As of the date hereof, the award pool under the Post-IPO Plan is 2,722,024 Class A ordinary shares. As of March 31, 2019, 501,432 Class A ordinary shares are outstanding under our Post-IPO Plan, representing the shares underlying the unvested 501,432 restricted Class A ordinary shares units.

We account for shared-based compensation for these share incentive awards using a fair value based method and recognize expenses in our consolidated statements of comprehensive loss in accordance with U.S. GAAP. We will incur additional share based compensation expenses in the future as we continue to grant share incentives using the ordinary shares reserved for this platform. See “Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers — Share Incentive Plans” We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share based compensation to them in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our ADSs or publish inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Our memorandum and articles of association that contain anti-takeover provisions that could discourage a third party from acquiring us and adversely affect the rights of holders of our Class A ordinary shares and ADSs.

Our memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a dual-class share structure that gives greater voting power to the Class B ordinary shares beneficially owned by Mr. Sammy Hsieh and Mr. Jian Tang and a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. These provisions could have the effect of depriving our shareholders and ADSs holders of the opportunity to sell their shares or ADSs at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

As a company incorporated in the Cayman Islands, we will adopt certain home country practices in relation to corporate governance matters that differ significantly from the NASDAQ corporate governance requirements; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the NASDAQ corporate governance requirements.

As a Cayman Islands company listed on the NASDAQ Global Market, we are subject to the NASDAQ corporate governance requirements. However, NASDAQ Global Market rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ corporate governance requirements. We follow our home country practices and rely on certain exemptions provided by the Nasdaq Stock Market Rules to a foreign private issuer, including exemptions from the requirements to have:

- shareholder approval for certain events, including the establishment or amendment of certain equity based compensation plans and arrangements and certain transactions involving issuances of 20% or more interest in our company;
- majority of independent directors on our board of directors;
- only independent directors being involved in the selection of director nominees and determination of executive officer compensation; and
- regularly scheduled executive sessions of independent directors.

As a result of our reliance on the corporate governance exemptions available to foreign private issuers, you will not have the same protection afforded to shareholders of companies that are subject to all of Nasdaq's corporate governance requirements.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted limited liability company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law (2018 Revision) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors will have discretion under our current memorandum and articles of association, to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder resolution or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

Certain judgments obtained against us, our directors or officers by our shareholders may not be enforceable.

We are an exempted limited liability company incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within the United States upon these individuals, or to bring an action against us or against these individuals in the United States in the event that you believe your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your Class A ordinary shares.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. If we ask for your instructions, then upon receipt of your voting instructions, the depositary will try to vote the underlying Class A ordinary shares in accordance with these instructions. If we do not instruct the depositary to ask for your instructions, the depositary may still vote in accordance with instructions you give, but it is not required to do so. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We have agreed to give the depositary at least 30 days' prior notice of shareholder meetings. Nevertheless, we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

Except in limited circumstances, the depositary for our ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, which could adversely affect your interests.

Under the deposit agreement for our ADSs, to the extent we have provided the depositary with at least 40 days' notice of a proposed meeting, if voting instructions are not timely received by the depositary from you, you shall be deemed to have instructed the depositary to give a discretionary proxy to a person designated by us to vote the shares represented by you ADSs as desired. However, no such instruction shall be deemed given and no discretionary proxy shall be given (a) if we inform the depositary in writing that (i) we do not wish such proxy to be given, (ii) substantial opposition exists with respect to any agenda item for which the proxy would be given or (iii) the agenda item in question, if approved, would materially or adversely affect the rights of holders of shares and (b) unless we have provided the depositary with an opinion of our counsel to the effect that (a) the granting of such discretionary proxy does not subject the depositary to any reporting obligations in the Cayman Islands, (b) the granting of such proxy will not result in a violation of any applicable law, public rule or regulation in force in the Cayman Islands and (c) the courts of the Cayman Islands will give effect to the voting arrangement and deemed instruction as contemplated in the proxy under Cayman Islands law.

The effect of this discretionary proxy is that, if you fail to give voting instructions to the depositary as to how to vote the Class A ordinary shares underlying your ADSs at any particular shareholders' meeting, you cannot prevent our Class A ordinary shares underlying your ADSs from being voted at that meeting, absent the situations described above, and it may make it more difficult for shareholders to influence our management. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement and the deposit agreement may be amended or terminated without your consent.

Under the deposit agreement, any action or proceeding against or involving the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in a state or federal court in New York, New York, and you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. However, the depositary may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement. Also, we may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make such rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings in the future and may experience dilution in your holdings.

You may not receive dividends or other distributions on our Class A ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depository of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depository is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depository may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depository may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, Class A ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, Class A ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our Class A ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the NASDAQ Global Market. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements. However, such reduced reporting requirements may make our ADSs less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company. We cannot predict if investors will find our ADSs less attractive because we may rely on these exemptions. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and our stock price may be more volatile.

We may lose our foreign private issuer status in the future, which could result in significant additional cost and expense.

The determination of our status as a foreign private issuer is made annually on the last business day of our most recently completed second fiscal quarter. If we were to lose our foreign private issuer status, the regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. We may also be required to modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers, which would involve additional costs.

We have incurred increased costs as a result of being a public company, and our compliance costs may continue to increase in the future, particularly after we cease to qualify as an emerging growth company.

We have incurred additional legal, accounting and other expenses as a public reporting company. In addition, we will incur additional costs when we cease to qualify as an emerging growth company, which occurs on the earliest of (a) the last day of the fiscal year during which we have total annual gross revenues of at least US\$1.07 billion; (b) December 31, 2022; (c) the date on which we have, during the preceding three-year period, issued more than US\$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. For example, we will be required to comply with additional requirements of the rules and regulations of the SEC and requirements of the NASDAQ Global Market, including applicable corporate governance practices. In addition, after we cease to qualify as an emerging growth company, we will be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We also expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may also initiate legal proceedings against us and our business may be adversely affected.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year, which could subject United States investors in our ADSs or ordinary shares to significant adverse United States income tax consequences.

A non-U.S. corporation will be a “passive foreign investment company,” or “PFIC,” if, in any particular taxable year, either (a) 75% or more of its gross income for such year consists of certain types of “passive” income or (b) 50% or more of the average quarterly value of its assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income (the “asset test”). We expect to derive sufficient active revenues and to have sufficient active assets, so that we will not be classified as a PFIC for the current taxable year or in the foreseeable future. However, because the PFIC tests must be applied each year, and the composition of our income and assets and value of our assets (which may be determined by reference to the market value of our ADSs) may change, and because the treatment of our VIE for U.S. federal income tax purposes is not entirely clear, it is possible that we may become a PFIC in the current or a future year.

In particular, because the value of our assets for purposes of the asset test may be determined by reference to the market price of our ADSs, fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years. The determination of whether we are a PFIC also depends, in part, on the composition of our income and assets, which may be affected by how, and how quickly, we use our liquid assets. If we do not deploy significant amounts of cash for active purposes, our risk of being a PFIC may substantially increase.

If we are a PFIC in any taxable year, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation — United States Federal Income Tax Considerations”) may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the United States federal income tax rules, and such holder may be subject to burdensome reporting requirements. Further, if we are a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, such U.S. Holder generally will be required to continue to treat us as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares. For more information see “Item 10. Additional Information—E. Taxation — United States Federal Income Tax Considerations — Passive Foreign Investment Company Rules.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We commenced our online marketing business in 2009. Two of our subsidiaries, Digital Marketing Group Limited and Tetris Media Limited, existed without significant operational activities prior to 2009. In February 2010, we restructured our holding structuring by incorporating Optimix Media Asia Limited in the Cayman Islands as the holding company of Optimix HK to facilitate financing and offshore listing. In March 2017, we changed our name from Optimix Media Asia Limited to iClick Interactive Asia Group Limited.

In September 2010, we set up Diablo Holdings Corporation, a company incorporated in the British Virgin Islands, which focuses on search engine marketing and operates in China through Search Asia Technology (Shenzhen) Co., Ltd., its wholly-owned subsidiary.

In January 2011, we set up our Singapore subsidiary, iClick Interactive (Singapore) Pte. Ltd., to provide localized services to clients in Southeast Asia.

In January 2013, we incorporated Performance Media Group Limited in Hong Kong to further expand our online marketing business.

Also in January 2013, we set up Tetris Media (Shanghai) Co., Ltd., as our wholly-owned PRC subsidiary.

In November 2014, we enhanced our data analytics capabilities by acquiring Buzzinate Company Limited, or Buzzinate, a company incorporated in Hong Kong. Buzzinate is an online marketing platform with strong data analytics capabilities and deep understanding of behavior of internet users in China. Buzzinate operated in China from November 2014 to March 2018 through Buzzinate (Shanghai) Information Technology Co., Ltd., its wholly-owned subsidiary. In March 2018, Buzzinate (Shanghai) Information Technology Co., Ltd. ceased its operations. In March 2019, Buzzinate Company Limited ceased its operations.

In July 2015, we acquired all shares in OptAim Ltd., or OptAim, and substantially expanded our online marketing business into mobile channels to identify, engage and convert mobile marketing. Under the terms of the share purchase agreement, we acquired all equity interests in OptAim Ltd., including those of OptAim Ltd.'s VIE entity, OptAim Network, from its existing shareholders Igomax Inc. (an entity controlled by Jian Tang), Zaffre Investments Inc., Sohu.com Limited, and BAI GmbH, for a total consideration of RMB10 million and US\$14,365,345 in cash and 2,535,091 of our ordinary shares. As part of the agreement, Jian Tang and Jie Jiao became the nominee shareholders of OptAim Network. Jian Tang is our co-founder, director, chief operating officer and chief technology officer. Jie Jiao is our then chief financial officer. As of the date of this annual report, Jian Tang and Jie Jiao are the nominee shareholders of OptAim Network, and we are arranging the transfer of Ms. Jie Jiao's equity interest in OptAim Network to an affiliate of our company. In addition, Optimix Media Asia Limited made two loans in the aggregate amount of US\$5.0 million to OptAim, Ltd. to pay a special dividend to Igomax Inc. Igomax Inc., Sohu.com Limited and Jian Tang each agreed to a non-compete and non-solicitation undertaking with respect to OptAim Ltd. and its consolidated subsidiaries for a period of three years. OptAim operates in China through OptAim Beijing, its wholly-owned subsidiary. OptAim Beijing has entered into a set of contractual arrangements with OptAim Network, a company incorporated in China, OptAim Network's nominee shareholders, and Zhiyunzhong, the wholly-owned Chinese subsidiary of OptAim Network.

As a result of these contractual arrangements, we have effective control over, and are the primary beneficiary of, OptAim Network and therefore treat OptAim Network and its subsidiary as our consolidated affiliated entities under U.S. GAAP and have consolidated their financial results in our consolidated financial statements in accordance with U.S. GAAP.

On December 21, 2017, our ADSs commenced trading on Nasdaq Global Market under the symbol "ICLK." We raised from our initial public offering approximately \$23,325,000 in net proceeds after deducting underwriting commissions and the offering expenses payable by us.

In May 2018, we launched a strategic growth initiative beyond our core online marketing operation to provide SaaS-based enterprise solutions. Our enterprise solutions help enterprise optimize their capabilities to leverage various types of data, and help them reduce costs and allow for easy integration with other platforms and applications. Our enterprise solutions help us foster closer relationship with our clients beyond digital marketing. Enterprises can make better and more informed choices during their decision-making process through our enterprise solutions.

On June 27, 2018, we announced a strategic partnership with, MezzoMedia, a leading digital marketing solution company in Korea. This new collaboration is a continuation of our strategy to expand our international footprint and provide effective targeted access to digital marketers around world.

On September 12, 2018, we announced the sale at par of US\$30 million in aggregate principal amount of mandatory convertible notes ("Notes") due September 12, 2023 to a fund managed by LIM Advisors Limited, a non-U.S. person, in an offshore transaction exempt from registration with the U.S. SEC under Regulation S of the Securities Act. CLSA acted as our exclusive financial advisor for the placement. We intend to use the process from the issuance of the Notes for further expansion in international markets and enhancement of our new enterprise solutions, as well as investment, acquisition and business collaboration opportunities that are strategically aligned with our long-term goals.

In November 2018, we made a controlling investment in Shanghai Myhayo Technology Co., Ltd., a content distribution channel and a mobile content aggregator of articles and short videos in the PRC, which presents customized feeds to users via its mobile application. The acquisition may further increase our market shares in the PRC online marketing segment, particularly in relation to mobile platform.

In January 2019, we made a controlling investment in Changyi (Shanghai) Information Technology Co., Ltd. ("Changyi"), a leading independent software vendor based in Shanghai. Changyi provides intelligent retail and CRM solutions to clients, allowing them to consolidate consumer's online and offline information to provide connection within the organization and stakeholders. The acquisition further enhances of our enterprise solutions.

Our principal executive offices are located at 15/F, Prosperity Millennia Plaza, 663 King's Road, Quarry Bay, Hong Kong S.A.R. Our telephone number at this address is (852) 3700 9000. Our registered office in the Cayman Islands is located at Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our internet address is www.i-click.com. The SEC also maintains an internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC.

B. Business Overview

We are a leading independent online marketing and data technology platform in China. We serve as an integrated cross-channel gateway that provides marketers with innovative and cost-effective ways to optimize their online marketing efforts throughout their marketing cycle and achieve their branding and performance-based marketing goals. Our integrated data-driven solutions help marketers identify, engage and activate potential customers, monitor and measure the results of marketing campaigns, and create content catering to potential customers across different content distribution channels through both PC and mobile devices. We offer both mobile marketing solutions and other marketing solutions based on channels desired by our clients.

We take a flexible approach to deliver our solutions in order to cater to the preferences and levels of internal resources and expertise of our clients. Our clients may choose to access our solutions through (i) self-service, when which they have the flexibility to utilize our solutions "a la carte" to complement their existing marketing resources, or through (ii) managed service, when our account management team provides in-depth services that suit the clients' specified marketing objectives and budgets utilizing our solutions.

Leveraging our data analytics and experience and expertise in online marketing, in May 2018, we launched a strategic growth initiative beyond our core online marketing operation to provide SaaS-based enterprise solutions to help enterprise improve decision-making, operational and marketing efficiency. Since then, we have extended enterprise solutions to existing and new clients in online education, real estate and new retail sectors, etc. In January 2019, we acquired controlling investment in Changyi. Changyi provides enterprise solutions, allowing enterprise to consolidate consumer's online and offline information. These solutions support detailed profiling of customers, which facilitates data-driven strategies and enhances business process at various levels. Our data-driven enterprise solutions help organizations maximize the value of their data to gain actionable insights to improve customer relationship management ("CRM"), decision-making and establishment of data-management platform. Through the enterprise solutions, we are able to foster deeper relationship with clients beyond digital marketing. In addition, as our clients increasingly adopt our enterprise solutions, we are able to continue to enhance the quantity, quality, and diversity of our data assets and refine our data analytics.

For our online marketing solutions, we generate revenue primarily from clients' marketing spend through our platform as they utilize our solutions in cost-plus and specified action marketing campaigns, and to a less extent from incentives granted by the publisher under our sales agency arrangement. For our enterprise solutions, we generate revenue primarily from the upfront and on-going subscription fees client pays, which was at a minimal level in 2018.

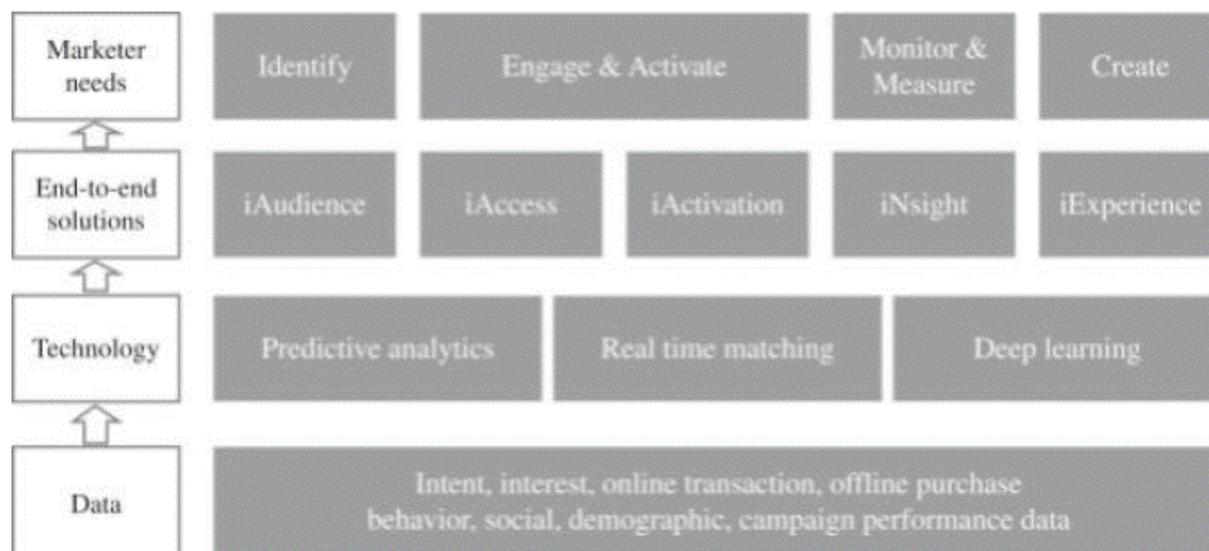
Our Online Marketing Solutions

Through our suite of end-to-end solutions, enabled and supported by our extensive data set, sophisticated data analytics capabilities and cutting-edge technologies, we deliver highly integrated customer experience and address marketers' needs throughout their marketing cycle and across different online channels to:

- identify their potential customers;
- engage and activate potential customers;
- monitor and measure the results of online marketing campaigns; and
- create content catering to their potential customers.

All our online marketing solutions, including the solutions from OptAim are integrated in a single user-friendly platform, accessible through both PC and mobile devices.

The following diagram illustrates the architecture of our online marketing platform:



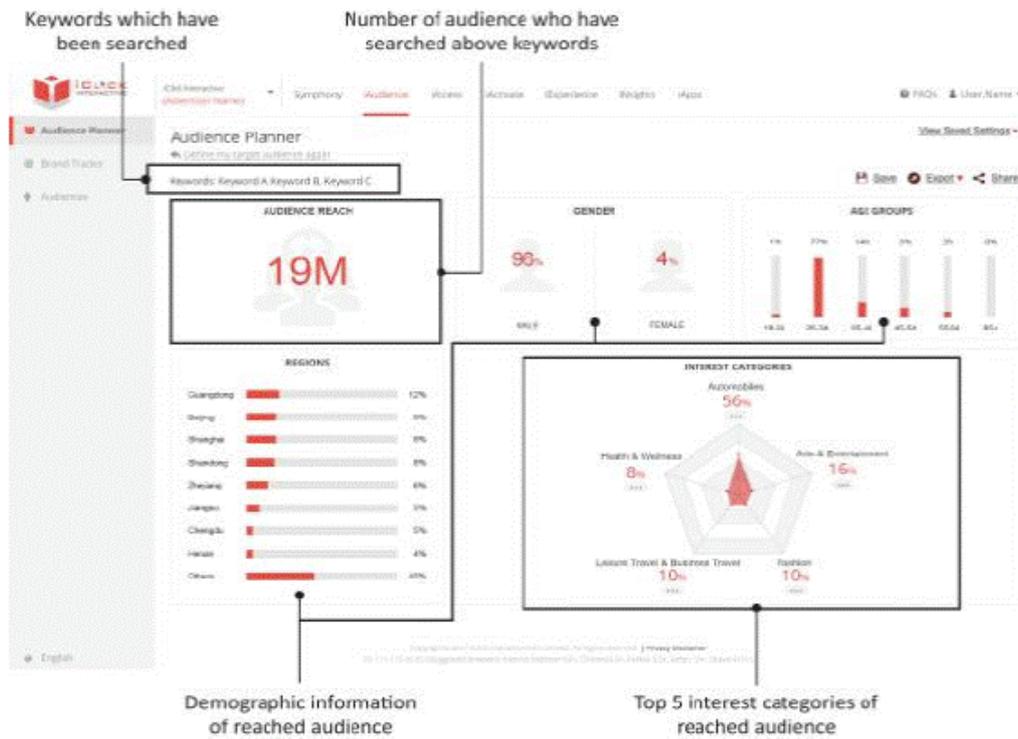
Our Suite of Online Marketing Solutions

Audience Identification Solution: iAudience

iAudience is our audience identification solution that allows marketers to search, identify and customize their targeted audience to generate or boost brand awareness. Marketers can simply type in a list of keywords, such as brand names or products of interest, and iAudience will automatically suggest other keywords usually associated with, or used in, the relevant contexts, and then search our database of user profiles to identify the most relevant user profiles to target. Marketers have the flexibility to refine these audience search results, for example, by user attribute, for more focused targeting. In addition, we have built “pre-packaged” audience groups for a wide variety of industries, including travel, education, finance, automobile and real estate to streamline the audience identification process for marketers in these industries, who can identify their desired user profiles in just one click.

iAudience also helps marketers map out the competitive landscape by showing the overlaps of their consumers and their competitors. This enables marketers to filter out brand loyalists from brand switchers for more effective, bespoke communications.

Below is a sample interface for our iAudience solution.



Audience Engagement and Activation Solutions: iAccess and iActivation

iAccess and iActivation are our cross-channel audience engagement and activation solutions, respectively tailored for brand awareness-driven campaigns and performance-driven campaigns. iAccess and iActivation provide marketers with a comprehensive suite of targeting or re-targeting options to reach out to, or re-connect with, potential audience identified by iAudience. Marketers can choose to target these audience based on their gender, age, income levels, geographic locations, interest, device, and device operating system. Marketers are also afforded the flexibility to select their preferred content format, budgeting requirement, display frequency and time to reach these audience.

Below is a sample interface for our iAccess solution.



Audience Engagement Solution Designed for Small and Medium-Sized Enterprises — iExpress

iExpress is the “lite” version of our iAccess solution. While iAccess is designed for and primarily used by multinational clients, iExpress is designed for small and medium-sized enterprises in China, who value simplicity and flexibility in their marketing activities. iExpress contains the basic functions of iAccess with a more simplified and intuitive user interface.

Campaign Results Monitoring and Measurement Solution: iNights

iNights is our online campaign results monitoring and measurement solution. It helps marketers analyze their campaign performance to refine campaign strategies and guide future campaign planning. Through a user-friendly interface, marketers can view their campaign performance information, including marketing costs incurred, number of clicks, click-through rates, number of conversions and other useful information for each online channel individually and for different online channels in the aggregate. In addition to basic campaign performance information, iNights provides marketers with in-depth analyses, including:

- *Conversion path analyses* — Holistic analyses of when, where and how a user interacts with various devices by the multiple touch points he or she has come in contact with, including the “last mile” through which the user is converted, i.e., making a purchase or otherwise taking an action that the marketer desires; and
- *Cross-channel effectiveness analyses* — Analyses of the effectiveness of the various marketing channels in achieving different marketing objectives and their respective cost effectiveness. Combining these with conversion path analyses, marketers can identify the portfolio of channels that work in tandem with each other to generate the greatest marketing impact and effectiveness.

Content Creation Solution: iExperience

We launched iExperience, our content creation solution that helps marketers syndicate and manage all their marketing content and assets in 2018. iExperience enables marketers to syndicate their marketing messages across all their marketing channels, and provides them with the option to dynamically create and tailor marketing messages to specific audience interest by modifying their content and presentation (including, for example, style of the marketing message, colors displayed, text used and formatting) as well as by selecting specific products and services to include in the marketing messages. iExperience also assists marketers to optimize their websites to convert more visitors into consumers. Our solutions support other technical layers that provide marketers with value-adding features. For example, we screen websites to ensure that a marketing message will not be displayed in adult, political, criminal or other illegal or inappropriate contexts. In addition, we identify and sift out fraudulent clicks that lead to inflated traffic flow, which distorts campaign performance or leads to inflated media acquisition costs. We also support third-party tracking of audience engagement or other campaign performance data where a marketer requests.

We also leverage on our solutions such as iAudience, iAccess, and iActivation to design tailored solutions catering to clients' specific marketing needs. For example, we have launched a number of mobile marketing solutions, such as MoTV, our native in-app mobile video ad solution, MoSocial, our premium mobile social ad solution and MoFeeds, our native mobile in-feed ad solution.

Our Solution Delivery Model of Online Marketing Solutions

We offer both mobile marketing solutions and other marketing solutions based on channels desired by our clients. Our mobile marketing solutions are non-search engine marketing solutions designed to identify, engage and activate audience exclusively on mobile apps, and monitor and measure the results of online marketing activities on such channels. Our other marketing solutions are primarily focused on identifying, engaging and activating audience on non-mobile app content distribution channels, such as PC banner display, PC video advertisements and search engine marketing.

We take a flexible approach to delivering our solutions. Depending on the preferences and levels of internal resources and sophistication of clients, our solutions are delivered through:

- self-service, when clients have the flexibility to run their marketing campaigns on an “a la carte”, cost-effective basis; and
- managed service, when our account management team manages marketing campaigns for our clients, including deciding on cross-channel marketing budget allocation and the timing, frequency, number and format of audience engagement based on their specified marketing objectives and budgets.

We generate revenues primarily from clients' marketing spend through our platform as they utilize our solutions in cost-plus and specified action marketing campaigns, and depending on our revenue recognition model, either including or excluding media cost. To a lesser extent, we generate revenues from incentives granted by the publisher under our sales agency arrangement.

Our Enterprise Solutions

Leveraging our data analytics expertise and experience in online marketing, in May 2018, we launched a strategic growth initiative to provide SaaS-based enterprise solutions to help businesses improve operational and marketing efficiencies. Since then, we have extended enterprise solutions to existing and new clients in new retail, online education, real estate and other sectors. Our enterprise solutions help clients collate information from different consumer touchpoints both offline and online, and integrate them into a single data management platform to drive sales and marketing decisions. Our enterprise solutions are currently primarily established on WeChat, a widely used social platform in China that is owned and operated by Tencent Holdings Limited.

Our enterprise solutions have the following key features:

- **Integration of online and offline data:** Data from both online and offline sources are integrated into our cloud-based enterprise solution platform, to allow seamless omni-channel customer management. This includes, amongst others, our clients' proprietary data collected from their customer relationship management (CRM) systems, WeChat mini programs, WeChat public accounts, or other mobile applications and enterprise systems. The extensive integration of data allows a more in-depth understanding and segmentation of customers from a 360-degree user profile.
- **Establishing a data-management platform (DMP):** Putting in place a DMP for our clients, currently built primarily on Tencent Cloud and Enterprise WeChat platforms, which provides high-data exchangeability and compatibility with our enterprise solutions. It resolves some legacy data silo issues our clients face in China. Our enterprise solutions deliver a seamless omni-channel and personalized shopping experience covering both online and offline data to meet the trends of intelligent retail.
- **Offering integrated marketing solutions:** Our enterprise solutions, together with our online marketing solutions, help our clients manage their customer dataset and marketing plans in an integrated manner. We help our clients acquire, define and reach the target audience through our enterprise solutions. By cooperating with premium media suppliers in China, we help our clients enhance the effectiveness and efficiency of their subsequent customer acquisition and increase the stickiness of our solutions.
- **Driving retail and sales decisions:** The data analysis provided by our enterprise solutions drives precise and real-time business decisions such as store expansions, product selection and offerings to targeted customer segments, as well as personalized customer services. For example, our enterprise solutions provide location-based services to target potential customers within 5km of a client's physical store, attracting more traffic and enabling other marketing triggers.

Our Data and Data Analytics Capabilities and Technologies

Our Data Assets

Our data assets are the backbone of our solutions and data analytics capabilities. From approximately 114,000 mobile apps and 2.1 million websites that we covered, we analyzed approximately 824.9 million active profiled users in China in the 30 days leading up to March 31, 2019. According to the China Internet Network Information Center, or CNNIC, there were 829 million internet users and 817 million mobile internet users in China as of December 31, 2018. The average daily volume of the data we collected reached 0.8 terabytes in the 30 days leading up to March 31, 2019.

We collect data from a variety of channels, including through our proprietary tracking tools, from our marketers, publishers and ad exchanges when managing marketing campaigns, and to a lesser extent, from third-party strategic partners. We track data with our proprietary toolbars and software development kits installed on apps and websites. The data that we have tracked are complemented by, and blended with, marketing campaign performance data from marketers, publishers and ad exchanges. To a lesser extent, we collect data from selected third-party data partners, including major internet companies in China and financial institutions, through our data collaboration arrangement with them. Our data assets primarily include users' intent, interest, online transactional, offline purchase behavioral data, social data and demographic data, as well as campaign performance data.

- *Intent data* — Intent data refers to data that indicates the various intent of a user. Intent data directly identifies the interests and immediate needs of a specific user. An example of intent data would be search terms entered into search engines by a particular user looking for business class air tickets from Hong Kong to Shanghai. We obtain intent data primarily from the websites and apps on which we have installed our proprietary sharing toolbars and software development kits as well as through API connection with major search engines where marketers' search marketing is executed.
- *Interest data* — Interest data refers to the category and semantic meaning of the content of websites and apps that a user visits, including visit frequency and sequence, from which we are able to infer the various interests of a user. Interest data shows the awareness of the relevant information by a specific user. An example of interest data would be data concerning how frequently a particular user interested in fine dining browses webpages of luxury Japanese cuisine restaurants. We collect interest data from websites and apps on which we have installed our proprietary sharing toolbars and software development kits as well as through API connection with certain ad exchanges.
- *Online transactional data* — Online transactional data refers to a user's behavior on online commerce platforms, including the items he or she is browsing or has added to his or her shopping cart. Online transactional data directly identifies the purchasing intent and immediate needs of a specific user. An example of online transactional data would be a particular user browsing for high-end skin care products and adding a specific brand of eye serum into the shopping cart in preparation of a purchase. We obtain online transactional data from partnerships with branded E-commerce platforms and the re-marketing campaigns for our E-commerce clients.
- *Offline purchase behavioral data* — Offline purchase behavioral data refers to a user's behavior in non-digitally connected environments, such as offline purchase behavior when the user buys an item physically from an offline retailer by swiping his or her credit card. Offline purchase behavioral data directly identifies the purchasing behavior and immediate needs of a specific user outside of the realms of traditional digital user tracking. An example of offline purchase behavioral data would be a particular user buying a luxury handbag in a specific luxury retailer with his or her credit card. We obtain offline purchase behavioral data from partnerships with financial institutions and credit card issuers. Our offline purchase behavioral data is pseudonymized and does not include users' personal details.
- *Social data* — Social data refers a user's behavior on social networks, such as Sina Weibo and Tencent QZone, including the content the user shares from websites or apps via social sharing toolbars, and the content the user posts, shares on the social networks, his or her "social graph", such as his or her "friends" and "followers" and other behavior data the user publicly shares on social networks. Social data demonstrates that a specific user is engaged in certain particular topics or content online on social media. An example of social data would be the name of a restaurant being recommended by a particular user via his or her social network account. We obtain social data by installing our proprietary sharing toolbars and software development kits on websites and apps, as well as through API connections with major social networks.
- *Demographic data* — Demographic data refers to a user's age, gender, income level and geographic location. In addition to inferred demographic information through our data tracking and profiling analytic capabilities and technologies, we obtain actual demographic data from social media accounts through our strategic relationship with selected third-party data partners, including major internet companies in China.
- *Campaign performance data* — Campaign performance data refers to a user's interaction with, and response to, a given marketing message, starting with such user's click on the content and including the user's interaction with the destination site to which the link leads, and all other actions taken by the user, including E-commerce transaction, clicks, registration or sign-ups, video viewing, and "follow" or "likes" on social media platforms. We obtain campaign performance data from websites and apps on which we have installed our proprietary sharing toolbars and software development kits, in managing client campaigns, and through our data collaboration arrangements with selected third-party data partners.

We distill structured variables from large volume of unstructured data to construct context-rich user profiles. In the 30 days leading up to March 31, 2019, we analyzed approximately 824.9 million active profiled users, whose profiles include on average 16 attributes, including user demographics, geographic location, device preference, spending history, personal interest and other online or offline behavioral pattern. We "pre-package" our user profiles into audience groups that can be utilized by specific industry verticals for precise targeting. Data involving our user profiles and audience groups are continuously fed into our content distribution opportunity matching process, enabling marketers to make cost-efficient decisions on real-time audience engagement opportunities and continuously optimize these decisions to access and activate their target audience through different channels.

Our Data Analytics Capabilities and Technologies

We apply data science technologies extensively throughout the online marketing cycle to support audience tracking, profiling and segmentation and to execute cost-efficient decisions on real-time audience engagement. We also launched a strategic growth initiative on enterprise solutions, leveraging our data analytics expertise and experience in online marketing. Our proprietary data analytics capabilities and technologies include:

Deep Learning and Artificial Intelligence

- *Audience tracking engine* - Our audience tracking engine monitors our audience across various devices and channels to identify which user has been interacting with what content, through which devices and the environment the user is in. It also uses cookies and other digital fingerprinting technologies, which take into account social network IDs, browsing behavior, network usage, IP addresses, surfing patterns, and device features, to recognize, identify, and re-identify a user across multiple channels, devices, and geographic locations, including de-duplication of multiple devices to a user.
- *Contextual analysis engine* - Our contextual analysis engine parses all data properties to understand the context and content which audiences are interacting in and with, including news articles, social networks, search engines, mobile apps, etc. These help understand what a user is interested in, including product categories, brand names, product names, keywords, and the depth of their interest.
- *Natural language processing algorithms* - Our natural language processing algorithms, or NLP, are important elements of our contextual analysis engine. We use these algorithms to extract structure from unstructured data, so that it can be processed and analyzed effectively. Our NLP algorithms are designed to understand and analyze Chinese and English languages and their usage in various contexts. They enable the extraction of information about entities, correlations, sentiments and emotions from vast amounts of text converted from audio and video streams and other digital content. In addition, we combine deep learning techniques with our natural language processing capabilities to further enhance the accuracy of attributes of our user profiles.

Predictive Analytics

- *User profiling engine* - Combining the data collected through, and processed by, our contextual analysis engine and audience tracking engine, our user profiling engine infers the user's interest, demographic, intent and other features through multi-dimensional data drill down and dynamic correlation analysis. In addition, we employ various models and algorithms on user profiles to expand and provide more breadth and depth on each user profile. As of March 31, 2019, we had designed an aggregate of 186 data labels for our user profiles.
- *Profile Segmentation Algorithms* - We use various algorithms to organize user profiles, which are generated and updated dynamically in real time, responding to real time changes in user interests and needs. This allows for accurate and detailed segmentation of user interests through multiple dimensions, e.g. by user interest keywords and user interest categories.

Real-Time Matching Technologies

- *Real-time user engagement algorithms* — Our real time user engagement algorithms execute marketing decisions based on a wide range of parameters, including predictions on click-through rate and conversion rate, inventory price, inventory safety and inventory segment, and consider audience compatibility, demographics, and frequency capping or other budgeting restrictions among other parameters, to compute the most cost-efficient decisions on real-time audience engagement opportunities.
- *Online continuous real-time bid optimization algorithms* — Our online continuous real-time bid optimization algorithms consider a wide range of parameters, including purchasing efficiency, predicted conversion rate, return on media value, budget allocation efficiency, inventory safety, and what marketers are willing to pay to dynamically optimize our bidding and pricing strategies. Our real-time bid optimization algorithms continuously sieve through a large volume of user engagement opportunities per day to decide which are the best possible opportunities to engage with.

Data Privacy and Security

We collect data solely to analyze audience and campaign performance. In order to identify each user profile, we assign a random profile number with each new profile. We then use that number as the anonymous identification for the profile and associate it with all related data. In general we do not collect personally identifiable information. If such information is inadvertently obtained by us, our policy is to immediately delete such information.

We treat all information we collect as confidential. We have set up proper control such as encryption and access right on these information. We do not disclose any information we gather from a marketer or any third party data partner unless such disclosure is approved by it, which in turn has obtained end user consent.

We have put in place appropriate physical, electronic and managerial procedures to safeguard and secure our data assets, including to prevent and detect any unauthorized access and data breach, to preserve their integrity and to ensure their appropriate use.

- On the software level, we maintain login information across all our computer systems to control access, and individuals with different levels or job duties are assigned different levels of access permissions. For example, only high-level technology personnel, including head of system operations and certain other technical developments leaders have root access to our operation system; and only database managers have access to the relevant database. We have central controls to govern user roles and permissions.
- On the hardware levels, our servers are located at our offices and IDCs, and only system operation personnel have access to our servers. In addition, we have established hardware firewall where all traffic is inspected and filtered according to a comprehensive set of rules. We conduct comprehensive security reviews of our data assets on a regular basis and ad hoc security reviews from time to time as special needs arise.

We also perform the monitoring and maintenance of our data privacy and security mechanism on a regular basis.

- We perform regular vulnerability scanning on website or web application to identify any weak configuration or vulnerabilities. We apply patch regularly and fix any configuration issues.
- We monitor any suspicious network traffic regularly including unexpected outgoing traffic such as huge data exfiltration volume and suspicious DNS query. We gather any events or alerts from servers and endpoints with security information and event management (SIEM) facility to set up alerts for any abnormal events or potential security breach.
- We secure and monitor privileged access, particularly on Internet accessible accounts such as web or cloud hosting, and implement multi-factor authentication on these accounts.

We give sufficient priority to develop and upgrade our mechanism to protect data and prevent data leakage. We also endeavor to build up cyber threat intelligence capability to complement the detection mechanisms.

Our Technology Infrastructure

Our platform is built on a highly scalable and reliable cloud-based technology architecture. This allows us to harness large quantities of real-time data and ensures high speed performance at a large scale to accommodate more clients and increased complexity of their online marketing campaigns.

- *Real-time analytics* - Our cloud-based technology architecture is built to be fully distributed while having a single unified access layer. Large amounts of data are ingested through multiple highly-optimized points and analyzed using both offline batch processing and online real-time processing through streaming technologies. This architecture allows us to combine multiple data dimensions and apply various machine learning algorithms in real-time to our data, providing the most up-to-date and accurate representations of a user's traits and online behavior.
- *Scalability* - With modular architecture that is built to be horizontally scalable, our platform can be easily expanded as data storage requirements and client base increase. Our data repositories are clustered and our data processing architecture is distributed in several cities in China and Hong Kong, which supports efficient expansion. When need arises, we can easily add servers and integrate them into our existing server clusters as either data nodes or processing nodes. In addition, load balancing technology helps us improve distribution of workloads across multiple computing components, optimizing resource utilization and minimizing response time.
- *Reliability* - Our technology layers have built hardware redundancy and will switch if errors are detected. We built our platform on a distributed computing architecture. Furthermore, our data processing architecture is located within the same cities where servers of major ad exchanges in China are located, facilitating low latency access and reliability as we bid for content distribution opportunities in real time.

Our Content Distribution Channels

We provide marketers with one-stop access to a wide variety of cross-channel content distribution opportunities in China through our deep relationship with content distribution channel partners. For example, we purchase or promote content distribution opportunities on content distribution channels, including premium channels such as Tencent, Baidu, Google and Alibaba. Media cost for content distribution opportunities on Tencent, Baidu, Google and Alibaba channels in aggregate accounted for 81.6%, 89.1% and 91.1% of our media costs in 2016, 2017 and 2018, respectively. Media cost for content distribution opportunities on our largest and second largest channel partners accounted for 79.5% and 11.5% of our media cost in 2018, respectively.

Our content distribution opportunities span the mobile and PC channels, and include various formats such as video and traditional banner ad. Our content distribution channel partners primarily include mobile and online publishers, major search engines and ad exchanges. In the 30 days leading up to March 31, 2019, we covered approximately 114,000 mobile apps and 2.1 million websites. In 2018, our gross billing from mobile marketing solutions and other marketing solutions amounted to US\$328.7 million and US\$71.0 million, accounting for 82.2% and 17.8% of our gross billing, respectively. In 2018, our net revenues from mobile marketing solutions and other marketing solutions amounted to US\$140.4 million and US\$19.6 million, accounting for 87.8% and 12.2% of our net revenues, respectively.

We generally enter into annual framework agreements with content distribution channel partners, which set out each party's rights and responsibilities with respect to the relevant content distribution opportunities. For example, we are generally required to examine advertising content to ensure its compliance with applicable laws and content distribution channel partners' policies. We are also generally required to prepay media cost, which is based on pricing models determined by content distribution partners and calculated based on content distribution partners' tracking. In addition, these agreements generally provide for certain rebates or incentives, generally calculated as a percentage of marketing spend, that we are entitled to should the marketing spend during the terms exceed specified thresholds.

We collaborate with many of our content distribution channel partners. Our product, technology and data engineering division work closely with the respective technology teams in our channel partners to ensure the compatibility of our tracking tools and access to content distribution opportunities. For example, in June 2018, we announced a strategic partnership with Ctrip.Com International Ltd., the top online travel agency player in China, to augment travel marketing solutions for international brands aiming to reach the rising number of outbound travelers from China. In the same month, we also announced a strategic partnership with Bilibili Inc., a leading video sharing website focused on content for the Chinese youth market. This collaboration will help international and local brands more effectively target the large Generation Z and Millennial userbase of Bilibili.

In addition to basic cooperation on access to content distribution opportunities, we collaborate closely with our content distribution partners on product research and development to stay at the forefront of marketing technology innovation and facilitate optimal audience engagement. For example, we launched MoTV mobile SDK through cooperation with certain leading apps in China, which is an in-app video app that provides blue-ray quality ad viewing experience.

In November 2018, we made a controlling investment in Shanghai Myhayo Technology Co., Ltd., a content distribution channel and a mobile content aggregator of articles and short videos in the PRC, which presents customized feeds to users via its mobile application. However, we still primarily rely on third-party content distribution channels to access content distribution opportunities.

Our Clients

We sell our solutions primarily by entering into sales contracts with entities or marketing agencies, including marketing campaign contracts for our online marketing solutions. We treat entities which enter into sales contracts with us and incur spending during the relevant period as our clients. Therefore, we count specific sub-brands or divisions within the same brand or holding company as distinct clients so long as we have signed campaign contracts with different entities. On the other hand, even though multiple campaign contracts may be involved, we only record one single client if those contracts with us are signed by the same entity. Our clients include both marketers who have direct contractual relationships with us, or direct marketer clients, and marketing agency clients. Our "end marketers," or "marketers" comprise marketers we serve, either directly or through marketing agencies, regardless if they have direct contractual relationship with us. In 2018, we had 2,479 marketers, including 1,336 marketers represented by our marketing agency clients.

Our marketers span a diverse array of industry segments, with entertainment and media, E-commerce, travel and hospitality, automobile and petroleum, and banking and finance being among the top five in terms of gross billing contribution in 2018. They also feature companies of different sizes, including more than 190 multinational companies in 2018, respectively, as well as small and medium-sized enterprises. Our marketers come from a variety of regions, with headquarters in Europe, North America, or Asia. In determining the geographic classification of revenue, we look at the geographic location of our subsidiary or VIE which executed the marketing campaign contract. Our subsidiaries or VIE in China generally are our signing entities for marketing campaign contracts with clients which are based in China. Our Singapore subsidiary generally is our signing entity for marketing campaign contracts with clients based in Southeast Asia. Our Hong Kong subsidiaries generally are our signing entities for marketing campaign contracts with other clients.

We have been strategically optimizing the client base, in particular, for other marketing solutions, to focus on profitability and liquidity. As a result of these efforts, our gross billing per client increased by US\$52,885, or 53.2%, from US\$99,433 in 2016 to US\$152,318 in 2017, and by US\$127,422, or 83.7%, from US\$152,318 in 2017 to US\$279,740 in 2018. The total number of clients that we served decreased by 31.4% from 2,376 in 2016 to 1,630 in 2017. The total number of clients that we served decreased by 12.3% from 1,630 in 2017 to 1,429 in 2018.

In 2016, we derived 18% of our net revenues from a marketer in the entertainment industry and 11% of our net revenues from a marketer in the e-commerce industry. In 2017, we did not derive over 10% of our net revenues from a marketer. In 2018, we derived 14% of our net revenues from a marketer in the entertainment industry. These marketers utilized our mobile marketing solutions under specified-action arrangement and therefore, revenue from these marketers was recognized on a gross basis. Their marketing campaign contracts were for a term of one year and contained terms similar to that under the marketing campaign contracts we generally enter into with other marketers utilizing similar solutions.

Sales, Business Development and Account Management

Our sales and business development workforce is focused on attracting more clients for our mobile marketing solutions, optimizing the client base, in particular, for our other marketing solutions to focus on profitability and liquidity, and attracting more clients to use our solutions through our self-service model. Leveraging our existing positions and reputations in industry sectors where we already have a strong presence, we are able to attract more marketers in those sectors. In addition, we are focused on diversifying our client base. We have partnered with local marketing agencies at selected first and second-tier cities in China to expand our client base in industry segments where we have relatively less presence, as well as to attract and retain high quality small and medium-sized enterprises to use our solutions on a self-serve basis. Furthermore, our sales and business development team works closely with overseas marketing agencies and channel partners in the home countries of overseas marketers, who help promote our solutions to overseas marketers.

Our sales and business development team is organized by geographic region, and is further divided into groups that focus on sales to marketers or to marketing agencies in each geographic region.

Supporting our sales and business development team are our account managers under our operational support team, who help maintain and grow the accounts of our clients. While our intuitive user interfaces are designed to enable clients to easily deploy and utilize our solutions themselves with minimal customer support, we make online and telephonic helpdesk facilities available and provide onsite engineering support to clients and also assign account managers for our direct marketer clients and some of our marketing agency clients. Our account managers provide consultative services on the use of our solutions, and in addition, for our managed service clients, more in-depth servicing on campaign planning, execution and result measurement and analysis. As of December 31, 2018, we had 360 employees for sales, business development and account management.

We use a variety of traditional and web-based channels to drive our brand awareness and generate demand, including through direct marketing, print advertising in trade journals, offline sales efforts and client referrals. We regularly attend trade shows and industry conferences, including the industry-renowned DMEXCO, RISE conference, iAB TechFront and GMIC, and speak to the press about the latest trends in China's digital market industry and developments in our solution offerings. In addition, we periodically post case studies and observations and analysis on industry trends on our website and social media, including our WeChat public account.

Research and Development

We are committed to continually enhancing and innovating our solutions, technologies and technical infrastructure. Our current R&D initiatives include development of an integrated one-stop system where our marketers can collaborate with their agencies, vendors or third-party collaborators in a consolidated manner to implement marketing initiatives or plan, execute and manage marketing campaigns across PC, mobile and TV channels.

Our R&D process is demand and innovation driven and involves collaborative efforts, including from our other functional teams, including sales and marketing, and product and operation support. Our R&D process advocates adaptive planning, iterative and incremental development cycles, and encourages rapid and flexible response to change. We typically release new solution features or improvements every week.

Intellectual Property

We have developed all of the key technologies supporting our platform and solutions in-house. Our intellectual property rights are a key component of our success. We rely on a combination of trademark and trade secret laws, and contractual restrictions, including through confidentiality, non-disclosure invention assignment agreements with our key employees, consultants and third parties with whom we do business, to establish, maintain and protect our proprietary information and other intellectual property.

Notwithstanding these efforts, we cannot be sure that any intellectual property we own will not be challenged, invalidated, or circumvented or that such intellectual property will be commercially useful in protecting our brand, products, services and technology.

As of December 31, 2018, we had two patents in application in China, and 13 registered trademarks and trademark application in China and Hong Kong.

Competition

China's independent online marketing technology market is highly competitive, fragmented and rapidly changing. We mainly compete with independent online marketing technology companies in China that offer online marketing solutions through demand side platform and use advanced technologies to optimize marketing campaigns for marketers.

We compete for online marketing revenue based on many factors, including our ability to deliver return on marketing expenditure at scale, client trust, geographic reach, breadth and depth of relationships with publishers, ad exchanges, ad networks and other participants in the online marketing ecosystem, comprehensiveness of solutions and service offerings, pricing structure and competitiveness, cross-channel capabilities, accessibility and user-friendliness of solutions and brand awareness. We compete for content distribution opportunities based on our ability to maximize the value of content distribution opportunities for content distribution channels partners, provide them with a wide array of solutions covering various types of content distribution opportunities and our ability to increase fill rates. While our industry is evolving rapidly and is becoming increasingly competitive, we believe that our highly scalable and flexible business model, large Chinese consumer data set, and omni-channel, targeted audience reach, proprietary, cutting-edge technologies, strong, diverse and loyal client base, deep knowledge and familiarity with China's online marketing industry, and visionary leadership enable us to remain competitive.

In addition, independent online marketing technology platforms face competitive pressure from large and well-established internet companies, such as Alibaba, Baidu, Tencent and Google, which have established stronger and broader presence across the online marketing ecosystem and have significantly more financial, marketing and other resources, more extensive client base and broader supplier relationship, and longer operating histories and greater brand recognition than we do. While we believe that we do not directly compete with these large and well-established internet companies for marketing spend as we promote their content distribution opportunities or purchase their content distribution opportunities in the ordinary course of our business in connection with our execution of marketing campaigns, and these companies generally do not provide integrated online marketing solutions the way we do, they are major players in the online marketing technology industry as they provide online marketing technology and offer services and offer solutions that help marketers achieve one or more aspects of their marketing goals in one or more phases of their online marketing cycle. In addition, these large and well-established companies control content distribution channels and would directly compete with us should we vertically expand our business to own or operate content distribution channels in the future. Online marketing technology platforms also face competition from marketing agencies, who may have their own relationships with content distribution channels and can directly connect marketers with such channels. Furthermore, online marketing technology platforms continue to face competition from traditional media including direct marketing, television, radio, cable and print advertising companies.

With respect to our newly launched SaaS-based enterprise solutions, there are currently few direct competitors in this relatively new and evolving area in China. However, we anticipate competition to increase based on clients' demands for these type of products. We may face competitions from local companies who are working on the enterprise solutions, new cloud computing and artificial intelligence. We may also face potential competition from international SaaS companies, which have longer operating histories, greater financial, technical, marketing, distribution, professional services or other resources and greater name recognition. In addition, many of our prospective competitors may have close relationship with our existing and new clients and bear an extensive knowledge of this industry. As a result, they may be able to respond more quickly to new or emerging technologies and changes in clients' requirements, or devote greater resources to the development, promotion and sale of their products.

Regulation

This section sets forth a summary of the most significant regulations or requirements that affect our business activities in the PRC or our shareholders' right to receive dividends and other distributions from us.

We operate in an increasingly complex legal and regulatory environment. We are subject to a variety of PRC and foreign laws, rules and regulations across numerous aspects of our business. This section sets forth a summary of the principal PRC laws, rules and regulations relevant to our business and operations in the PRC.

Regulations on Advertising Business

The Advertising Law of the People’s Republic of China, promulgated by the Standing Committee of the National People’s Congress on April 24, 2015 and became effective on September 1, 2015, is the principal law regulating our business. This law regulates contents of advertisements, codes of conduct for advertising, and the supervision and administration of advertising industry. It also stipulates that advertisers, advertising operators, and advertisement publishers shall abide by the Advertising Law and other laws and regulations, be honest and trustworthy, and compete in a fair manner in advertising business. According to the Advertising Law, advertising operators and advertisement publishers shall examine the relevant certification documents and verify the contents of advertisements in accordance with laws and regulations. According to the Advertising Law, if advertising operators know or should have known the content of the advertisements is false or deceptive but still provide advertising design, production and agency services in connection with the advertisements, they might be subject to penalties, including confiscation of revenue and fines, and the competent PRC authority may suspend or revoke their business licenses. In addition, the Regulations on the Administration of Advertisement, promulgated by the State Council on October 26, 1987 requires the advertising operators to submit applications to the industry and commerce authorities for approval and registration. During the course of business, advertising operators are required to check papers or certificates and examine the contents of advertisements. According to this regulation, advertising operators may not publish, broadcast, install or post any advertisements which violate the provisions of the relevant regulations.

On July 4, 2016, the State Administration for Industry and Commerce (SAIC) promulgated the Interim Measures for the Administration of Internet Advertising, or Interim Measures on Internet Advertising to regulate advertising activities conducted via the internet. According to the Interim Measures on Internet Advertising, advertisements published or distributed via the internet shall not interfere with users’ normal use of the internet. For example, advertisements published on web page pop-up windows or in others forms shall be clearly marked with a “close” sign to give the users an opportunity to close them out. No entity or individual may induce users to click on the contents of an advertisement through deception. An internet advertisement publisher or advertising operator, shall establish and maintain an acceptable registration, examination and file management system for its advertisers; examine, verify and record the identity information of each advertiser. The Interim Measures on Internet Advertising also require internet advertisement publishers and advertising operators to verify related supporting documents, check the contents of the advertisement and prohibits them from designing, producing, providing services or publishing any advertisement if the content and the supporting documents do not match each other or the documentary evidence thereof are insufficient.

The Advertising Law defines an “advertising operator” as any natural person, legal person or other organization that agrees to provide advertising design, production and agency services for advertisers. Therefore, we are an “advertising operator” as provided in the Advertising Law and thus subject to the content review and conduct requirements of the Advertising Law and the Interim Measures on Internet Advertising, or the Interim Measures. To facilitate compliance with Advertising Law, we have developed certain advertising business management rules containing these mandatory content review and conduct requirements, and are establishing internal mechanisms to implement these rules.

Prior to June 29, 2015, we were regulated by the Regulations for the Administration of Foreign-Invested Advertising Enterprises, promulgated by the State Administration for Industry and Commerce and the MOFCOM, which prescribed certain conditions on foreign investors that invest in companies in advertising business in China. Among other things, such foreign investors shall have at least three years’ track record primarily engaging in advertising business and shall have obtained an Opinion on the Approval of Foreign-invested Advertising Enterprise Project, which is issued by the State Administrative of Industry and Commerce or its local counterparts. The Regulations for the Administration of Foreign-Invested Advertising Enterprises were abolished on June 29, 2015 by the State Administration for Industry and Commerce after consultation with the MOFCOM.

Regulations on Internet Information Service

There are several principal regulations on internet information service business, including (i) the Telecommunications Regulations of the People's Republic of China, promulgated by the State Council on September 25, 2000 and most recently amended on February 6, 2016, (ii) the Administrative Measures on Internet Information Services, promulgated by the State Council on September 25, 2000, or the Internet Measures, and (iii) the Catalogue of Telecommunication Services, issued by the State Council on September 25, 2000, and most recently amended by the Ministry of Industry and Information Technology, or MIIT, on December 28, 2015. According to the Internet Measures, "internet information services" include provision of information services through the internet to internet users. Since we have websites that provides information, including description of our business and solutions, to online users, we are deemed to be providing "internet information service", and are therefore subject to these regulations on internet information services. Pursuant to the Internet Measures, there are two categories of internet information services, namely, services of an operative nature and services of a non-operative nature. The Internet Measures require providers of operative internet information services to obtain an operating permit and imposes certain restrictions on the percentage of foreign ownership in such providers. Our business does not involve the provision of operative internet information services, and therefore, we are not required to obtain any operating permits or subject to foreign ownership restrictions under these regulations. In accordance with the Internet Measures, we shall complete a filing process for our website, which has been done.

Regulations on Value-added Telecommunication Services

On September 25, 2000, the State Council promulgated the Telecommunications Regulations of the People's Republic of China, or the Telecom Regulations, which was amended on July 29, 2014 and February 6, 2016. The Telecom Regulations is the primary PRC law governing telecommunication services and sets out the general regulatory framework for telecommunication services provided by PRC companies. The Telecom Regulations distinguishes between "basic telecommunication services" and "value-added telecommunication services." The Telecom Regulations defines value-added telecommunications services as telecommunications and information services provided through public network infrastructures. Pursuant to the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT, or its provincial level counterparts.

The Catalog of Telecommunications Business, or the Catalog, which was issued as an attachment to the Telecom Regulations and updated in June 11, 2001, February 21, 2003 and December 28, 2015, further categorizes value-added telecommunication services into two classes: Class 1 value-added telecommunication services and Class 2 value-added telecommunication services. Information services provided via cable networks, mobile networks or internet fall within Class 2 value-added telecommunications services.

On July 3, 2017, the MIIT issued the Measures on the Administration of Telecommunications Business Operating Permits, or the Telecom License Measures, which became effective on September 1, 2017, to supplement the Telecom Regulations. The Telecom License Measures sets forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. The Telecom License Measures also provides that an operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an operator providing value-added services in one province is required to obtain an intra-provincial license. Any telecommunication services operator must conduct its business in accordance with the specifications in its license.

Regulations on Foreign Direct Investment in Value-Added Telecommunications Companies

Foreign direct investment in telecommunications companies in China is governed by the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises, which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. These regulations require that foreign-invested value-added telecommunications enterprises in China must be established as Sino-foreign equity joint ventures and that the foreign investors may acquire up to 50% equity interests in such joint ventures. In addition, a major foreign investor in a value-added telecommunications business in China must demonstrate a good track record and experience in operating value-added telecommunications businesses. Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM, to provide value-added telecommunication services in China and the MIIT and the MOFCOM retain considerable discretion in granting such approvals.

On July 13, 2006, the Ministry of Information Industry, or the MII, released the Notice on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business, or the MII Notice, pursuant to which, for any foreign investor to invest in telecommunications businesses in China, a foreign-invested telecommunications enterprise must be established and such enterprise must apply for the relevant telecommunications business operation licenses. Furthermore, under the MII Notice, domestic telecommunications enterprises may not rent, transfer or sell a telecommunications business operation license to foreign investors in any form, and they may not provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the internet domain names and registered trademarks used by a value-added telecommunication service operator shall be legally owned by such operator or its shareholders.

Furthermore, the Guidance Catalog of Industries for Foreign Investment, or the Foreign Investment Catalog, the latest version of which was promulgated jointly by MOFCOM and the National Development and Reform Commission, or the NDRC, on June 28, 2017 and became effective on July 28, 2017, classifies businesses into three categories with regard to foreign investment: (i) "encouraged", (ii) "restricted", and (iii) "prohibited". The latter two categories are included in the negative list, which was first introduced into the Foreign Investment Catalog in 2017, and listed, in a unified manner, the restrictive measures for the entry of foreign investment. On June 28, 2018, MOFCOM and NDRC jointly promulgated the Special Administrative Measures (Negative List 2018) for Foreign Investment Access, or the Special Administrative Measures, which replaced the negative list attached to the Foreign Investment Catalog in 2017. Industries that are not listed in the Foreign Investment Catalog or the Special Administrative Measures are permitted areas for foreign investments, and are generally open to foreign investment unless specifically restricted by other PRC regulations. Our business falls under value-added telecommunications services, which are listed under the Special Administrative Measures.

In view of these restrictions on foreign direct investment in value-added telecommunications services and certain other types of businesses under which our business may fall, we have established domestic consolidated affiliated entities to engage in value-added telecommunications services. For a detailed discussion of our consolidated affiliated entities, see “Item 4. Information on the Company — C. Organizational Structure.” Due to the lack of interpretative guidance from the relevant PRC governmental authorities, there are uncertainties regarding whether PRC governmental authorities would consider our corporate structure and contractual arrangements to constitute foreign ownership of a value-added telecommunications business. In order to comply with PRC regulatory requirements, we operate a substantial portion of our business through our consolidated affiliated entities, which we have contractual relationships with but we do not have actual ownership interests in. If our current ownership structure is found to be in violation of current or future PRC laws, rules or regulations regarding the legality of foreign investment in value-added telecommunications services and other types of businesses on which foreign investment is restricted or prohibited, we could be subject to severe penalties.

Regulations on Internet Content Providers

The Administrative Measures on Internet Information Services, or the Internet Content Measures, which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. The Internet Content Measures specifies that internet information services regarding news, publications, education, medical and health care, pharmacy and medical appliances, among other things, are required to be examined, approved and regulated by the relevant authorities. The Internet Content Measures specifies a list of prohibited content. Internet information providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the legal rights of others. Internet information providers that violate such prohibition may face criminal charges or administrative sanctions. If any prohibited content is found, they must remove the content immediately, keep a record of such content and report to the relevant authorities.

The Internet Content Measures classifies internet information services into commercial internet information services and non-commercial internet information services. Commercial internet information services refer to services that provide information or services to internet users with charge. A provider of commercial internet information services must obtain the value-added telecommunications business operation license.

Regulations on Privacy Protection

According to the Internet Measures, “internet information services” means the activity of providing information services through the internet to internet users. Since we have websites that provide information to internet users, we are considered an internet information service provider under the Internet Measures and are therefore, subject to regulations relating to the protection of privacy, including prohibitions on producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes on the lawful rights and interests of others. Internet information service providers that violate the prohibition could face criminal charges or administrative sanctions by the PRC security authorities. In addition, relevant authorities may suspend their services, revoke their licenses or temporarily suspend or close down their websites.

Under the Several Provisions on Regulating the Market Order of Internet Information Services, issued by MIIT, in December 2011, internet information service providers are prohibited from collecting any user-related information that can reveal the identity of the user whether by itself or when used in combination with other information, or providing any such information to third parties without the consent of that user. Internet information service providers must expressly inform the users of the method, content and purpose to collect and process such user personal information, and may only collect such information necessary for their services. Internet information service providers are also required to properly maintain the user personal information and, in case of any leakage or likely leakage of such information, must take remedial measures immediately and report any material leakage to the telecommunications regulatory authority.

In December 2012, the Decision on Strengthening Network Information Protection promulgated by the Standing Committee of the National People’s Congress emphasizes the need to protect electronic information that contains personal identification information and other private data. The decision requires internet information service providers to establish and publish policies regarding the collection and use of personal electronic information, to take necessary measures to ensure the security of the information and to prevent leakage, damage or loss.

Furthermore, the MIIT’s Rules on Protection of Personal Information of Telecommunications and Internet Users issued in July 2013 contain detailed requirements upon the activities collecting or using personal information of users in the provision of telecommunication service and internet information service, which mainly include: (i) the telecommunication business operators or internet information service providers shall expressly advise users about the purpose, method and scope of the collection or use of information, and the ways to inquire or correct information, and the consequences of refusal to provide information, etc.; (ii) the telecommunication business operators or internet information service providers shall not go beyond the necessary and the purpose for their service, nor by means of deceiving, misleading or force or in violation of the laws, regulations or the agreements between the parties; (iii) any collected information shall be kept in strict confidence with adequate measures; (iv) shall establish user complaint handling mechanism to accept complaints from the users, and etc. Internet information service providers, including us, may subject to penalties, including fines, warnings, orders to correct and even criminal charges if failed to fulfill the aforesaid requirements.

Regulations on Information Security, Censorship and Privacy

The Standing Committee of the National People's Congress, China's national legislative body, enacted the Decisions on the Maintenance of Internet Security on December 28, 2000 and amended them on August 27, 2009 that may subject persons to criminal liabilities in China for any attempt to use the internet to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights. In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections which was amended in 2011 and prohibits using the internet to leak state secrets or to spread socially destabilizing materials. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites. Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress on August 29, 2015, effective on November 1, 2015, any ICP provider that fails to fulfill the obligations related to internet information security as required by applicable laws and refuses to take corrective measures, will be subject to criminal liability for (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' personal information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (i) sells or provides personal information to others unlawfully or (ii) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

The Cybersecurity Law of the PRC, or the Cybersecurity Law, which was promulgated on November 7, 2016 by the Standing Committee of the National People's Congress and came into effect on June 1, 2017, provides that network operators shall meet their cyber security obligations and shall take technical measures and other necessary measures to protect the safety and stability of their networks. Under the Cybersecurity Law, network operators are subject to various security protection-related obligations, including: (i) network operators shall comply with certain obligations regarding maintenance of the security of internet systems; (ii) network operators shall verify users' identities before signing agreements or providing certain services such as information publishing or real-time communication services; (iii) when collecting or using personal information, network operators shall clearly indicate the purposes, methods and scope of the information collection, the use of information collection, and obtain the consent of those from whom the information is collected; (iv) network operators shall strictly preserve the privacy of user information they collect, and establish and maintain systems to protect user privacy; (v) network operators shall strengthen management of information published by users, and when they discover information prohibited by laws and regulations from publication or dissemination, they shall immediately stop dissemination of that information, including taking measures such as deleting the information, preventing the information from spreading, saving relevant records, and reporting to the relevant governmental agencies.

Regulations on Foreign-related Surveys Measures

According to the Foreign-related Surveys Measures, foreign-related surveys include: (i) market and social surveys conducted under the entrustment or financial aid of any overseas organization, individual, or the agency of any overseas organization in China; (ii) market and social surveys conducted in cooperation with any overseas organization, individual, or the agency of any overseas organization in China; (iii) market surveys lawfully conducted by the agency of any overseas organization in China; and (iv) market and social surveys of which the materials and results are to be provided to any overseas organization, individual, or the agency of any overseas organization in China. Any foreign-related market survey must be conducted by a foreign-related survey institution and no individual or organization may conduct any foreign-related survey without a license for foreign-related surveys. According to the Foreign-related Surveys Measure and the Catalogue of Industries for Guiding Foreign Investment (2017 version), only a domestic enterprise or a sino-foreign enterprise which meet the several requirements stipulated in the Foreign-related Surveys Measures can apply for license for the foreign-related survey. On June 28, 2018, MOFCOM and NDRC jointly promulgated the Special Administrative Measures (Negative List 2018) for Foreign Investment Access, or the Special Administrative Measures, which replaced the negative list attached to the Foreign Investment Catalog in 2017. Industries that are not listed in the Special Administrative Measures are permitted areas for foreign investments, and are generally open to foreign investment unless specifically restricted by other PRC regulations.

We collect data of multiple kinds and from multiple sources through our consolidated subsidiaries in the PRC and Hong Kong. These data include users' search, browse, E-commerce and offline behavioral data, social data, demographic data, campaign performance data, and certain technical data, from our proprietary tracking tools, our marketers, publishers and ad exchanges in connection with marketing campaigns, and from collaboration with selected third-party data partners. Except for the general definitions of market surveys and social surveys defined in the Foreign-related Surveys Measures, there is no further clarification or specific guidance on the characteristics and scope of "foreign-related surveys". In the opinion of our PRC counsel, Jingtian & Gongcheng, the collection and use of data of our business do not fall within the scope of "foreign-related survey" and therefore we are not required to obtain a foreign-related survey license under the Foreign-related Survey Measures as currently interpreted and enforced by the relevant PRC regulatory authorities. However, in light of these uncertainties and out of prudence, we through OptAim Network, our VIE entity, applied for and were granted the foreign-related survey license on June 6, 2017 by the Chinese National Bureau of Statistics.

Regulations on Intellectual Property Rights

China has adopted legislation governing intellectual property rights, including copyrights, trademarks and patents. China is a signatory to major international conventions on intellectual property rights and is subject to the Agreement on Trade Related Aspects of Intellectual Property Rights as a result of its accession to the World Trade Organization in December 2001.

Computer Software Copyright

On March 1, 2013, the Regulations for the Protection of Computer Software promulgated by the State Council came into effect. These regulations are formulated for protecting the rights and interests of computer software copyright owners, encouraging the development and application of computer software and promoting the development of software business.

Patent

Patents in the PRC are principally protected under the Patent Law of the People's Republic of China, which was amended by the Standing Committee of the National People's Congress in 2008 and became effective on October 1, 2009. This law is formulated for protecting the rights and interests of patentees, encouraging invention, promoting the application of inventions, enhancing innovation capacity, and facilitating the advancement of science and technology, and the economic and social development. Under this law, the duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

Trademark

The PRC Trademark Law, promulgated in 1983 and most recently amended in 2013, which such amendments became effective on May 1, 2014, protects the proprietary rights with respect to registered trademarks. The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations and may grant a term of 10 years for registered trademarks, which may be extended for another 10 years upon request. Trademark license agreements shall be filed with the Trademark Office for record. In addition, if a registered trademark is recognized as a well-known trademark, the protection of the proprietary right of the trademark holder may reach beyond the specific class of the relevant products or services.

Domain Name

The Ministry of Industry and Information Technology promulgated the Measures on Administration of Internet Domain Names, or the Domain Name Measures, on August 24, 2017, which took effect on November 1, 2017 and replaced the Administrative Measures on China Internet Domain Name promulgated by MIIT on November 5, 2004. According to the Domain Name Measures, the MIIT is in charge of the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names shall provide the true, accurate and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure. These measures are formulated with reference to the norms on administration of internet domain names worldwide, for the purposes of promoting the healthy development of China's internet sector and guaranteeing the safe and reliable operation of the internet domain name system in the PRC.

Regulations on Employment

There are several principal rules and regulations in the PRC with respect to rights and obligations of employers and labors, including (i) the Labor Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress effective on January 1, 1995, or the Labor Law, (ii) the Labor Contract Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress effective on July 1, 2013, or the Labor Contract Law, (iii) the Social Insurance Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress effective on July 1, 2011, or the Social Insurance Law, and (iv) the Regulations on the Management of Housing Provident Fund, promulgated by the State Council on March 24, 2002.

According to the Labor Law and the Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standard. All employers are required, among other things, to establish a system for labor safety and workplace sanitation, and to provide employees with workplace safety training. Violations of the Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise. In addition, pursuant to the Social Insurance Law, employers in the PRC are required to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

Regulations on Taxation

PRC Enterprise Income Tax

PRC enterprise income tax is calculated based on taxable income, which is determined under (i) the PRC Enterprise Income Tax Law, promulgated by the National People's Congress of China and implemented on January 1, 2008, or the EIT Law, and (ii) the implementation rules to the EIT Law promulgated by the State Council and implemented on January 1, 2008. The EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in the PRC, including foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions. According to the EIT Law and its implementation rules, the income tax rate of an enterprise that has been determined to be a high and new technology enterprise may be reduced to 15% with the approval of relevant tax authorities.

In addition, according to the EIT Law, enterprises that are incorporated outside the PRC but have their "de facto management body" located in China may be considered as PRC resident enterprises and may therefore be subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The implementation rules of the EIT Law define "de facto management body" as "establishment that carries out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." And the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, further provides certain specific criteria to determine whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular applies only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises.

According to Circular 82, a Chinese-controlled offshore-incorporated enterprise 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 and the place where the enterprise performs its duties are in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval of 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) 50% or more of voting board members or senior executives habitually reside in the PRC. In the event that we are considered a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income.

We are organized under the laws of the Cayman Islands and not controlled by a PRC enterprise or PRC enterprise group, we therefore do not believe that we meet all of the conditions above. But if we are considered a PRC resident enterprise by the competent tax authority, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income.

Income Tax for Share Transfers

According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprises, or Circular 698, promulgated by the SAT on December 10, 2009, which is replaced by the Circular on Issues of Tax Withholding regarding Non-PRC Resident Enterprise Income Tax, or Circular 37, promulgated by the SAT on October 17, 2017, and the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or Circular 7, promulgated by the SAT on February 3, 2015, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by transfer of the equity interests of an offshore holding company (issued by a PRC resident enterprise) without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and the indirect equity transfer may be treated as a direct transfer. As a result, the gain derived from such transfer, which means the equity transfer price less the cost of equity, may be subject to PRC withholding tax at a rate of up to 10%. Under the terms of Circular 7, a transfer that meets all of the following circumstances will be deemed to have no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or in the year before the indirect transfer, over 90% of the offshore holding company's revenue is directly or indirectly derived from PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; or (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

There is uncertainty as to the application of Circular 37 and Circular 7. Circular 37 and Circular 7 may be determined by the PRC tax authorities to be applicable to our prior private equity financing transactions that involved non-resident investors, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors in such transactions may be taxed under Circular 37 and Circular 7, and we may be required to expend valuable resources to comply with Circular 37 and Circular 7 or to establish that we should not be taxed under the general anti-avoidance rule of the EIT Law, which may have a material adverse effect on our financial condition and results of operations.

Value Added Tax

On January 1, 2012, the State Council launched a pilot value-added tax, or VAT, reform program, or the Pilot Program, applicable to businesses in selected industries, such as industries involving the leasing of tangible movable property, transportation services, research and development and technical services, information technology services, cultural and creativity services, logistics ancillary services and attestation and consulting services. Businesses subject to the Pilot Program are subject to VAT instead of business tax. On May 24, 2013, the Ministry of Finance and the SAT issued the Circular on Tax Policies in the Nationwide Pilot Collection of Value Added Tax in Lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries. On August 1, 2013, the Pilot Program was implemented throughout China. On March 23, 2016, SAT and Ministry of Finance promulgated Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, which became effective on May 1, 2016. According to the 2016 Circular, general taxpayers who are engaged in technical services, information technology services, cultural creativity services, logistics supporting services, leasing services, attestation consulting services and/or other modern service industries are subject to a VAT at the rate of 6%. On November 19, 2017, the State Council promulgated The Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax, or Order 691. According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates, or the Notice, was promulgated on April 4, 2018 and came into effect on May 1, 2018. According to the Notice, the VAT tax rate of 17% and 11% are changed into 16% and 10%, respectively. On March 20, 2019, the Ministry of Finance, State Taxation Administration and General Administration of Customs jointly promulgated the Relevant Policies Notice on Deepening Reform of VAT Tax, or the Notice 39, effective on April 1, 2019, which lowers the VAT tax rate of 16% and 10% to 13% and 9%, respectively.

Dividends Withholding Tax

We are a Cayman Islands exempted limited liability company, used as a holding company and a substantial part of our income may come from dividends we receive from our PRC subsidiary by distributions to our Hong Kong subsidiaries. Pursuant to the EIT Law and its implementation rules, and Special Double Taxation Avoidance Agreement, dividends generated after January 1, 2008 and distributed to our Hong Kong subsidiaries by our PRC subsidiary are subject to withholding tax at a rate of 5%.

The PRC and the Hong Kong Special Administrative Region entered into the Arrangement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, or Special Double Taxation Avoidance Agreement, on August 21, 2006. This arrangement reduces the withholding tax rate in respect of the payment of dividends by a PRC enterprise to a Hong Kong enterprise, such as from our PRC subsidiaries to our Hong Kong subsidiaries, from the statutory rate of 10% to 5% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to benefit from the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Furthermore, the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or Non-Resident Tax Treatments Measures, which became effective in November 2015, require that non-resident taxpayers report and submit the relevant statements and materials specified in this measure and be administrated and supervised subsequently by the relevant tax authority in order for the reduced withholding tax rate to apply. There are also other conditions for the reduced withholding tax rate including that Hong Kong recipient must be the beneficial owner of the income.

As uncertainties remain regarding the interpretation and implementation of the EIT Law and its implementation rules, we cannot assure you that, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax.

Regulations on Foreign Exchange

The Regulations of the People's Republic of China on Foreign Exchange Control, promulgated by the State Council on August 5, 2008, are principal regulations on foreign currency exchange in the PRC. Under these regulations, the Renminbi is freely convertible for current account items after due process, including distribution of dividends, trade-related foreign exchange transactions and service-related foreign exchange transactions, whereas foreign exchange for capital account items, such as direct investments or loans, require prior approval of and registration with the SAFE.

Capital Settlement and Overseas Remittance of Foreign-Invested Enterprises

On May 13, 2013, the SAFE promulgated the Provisions on Foreign Exchange Administration Over Direct Investment Made by Foreign Investors in the PRC in order to promote and facilitate foreign investors to make direct investment in the PRC. Under these provisions, a foreign-invested enterprise may remit funds abroad for purchase and remit foreign exchange with relevant banks from capital reduction, liquidation, advance recovery of investment, profit distribution, etc. after due registration. On June 1, 2015, SAFE Circular 19 came into effect, which introduced a reform of the administration to the settlement of the foreign exchange capital for foreign-invested enterprises national wide based on the pilot experience in certain regions in the early days. On June 9, 2016, SAFE Circular 16 was promulgated, which included more detailed provisions on capital account settlement and overseas remittance for foreign-invested enterprises. This notice allows foreign-invested enterprises to settle their foreign exchange receipt on a discretionary basis and explicitly includes foreign debts and repatriated funds raised through overseas listing as foreign exchange receipts that can be settled discretionally in addition to foreign exchange capital, but continues to prohibit foreign-invested enterprises from using the Renminbi fund converted from their foreign exchange capitals for expenditure beyond their business scopes, investment in security market, offering of entrustment loans or purchase of any investment properties. Although this makes a further relaxation of policies on the control over foreign exchange settlement of capital accounts, in practice, there are still several specific requirements that affect the abilities of the PRC enterprises to access the offshore financing capitals.

According to Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises promulgated by the Ministry of Commerce, or the MOC, effective on October 8, 2016, foreign investors making capital contributions to their PRC subsidiaries shall make necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS. Pursuant to the Interim Measures on the Management of Foreign Debts promulgated jointly by the SAFE, Ministry of Finance, the NDRC, effective on March 1, 2003, PRC foreign-invested companies may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS.

On January 12, 2017, the People's Bank of China promulgated the Circular on Management of Cross-border Financing. According to this circular, an enterprise shall file the cross-border financing contracts for the record with the Capital Project Information System of the SAFE after the execution date of the contracts but no later than three working days before the withdrawal date. In addition, according to the Circular on Promoting the Administrative Reform, promulgated by the NDRC on September 14, 2015, any medium or long term loan to be provided by foreign entities to domestic enterprises must be recorded and registered by the NDRC.

Outbound Investment and Financing and Roundtrip Investment

On July 4, 2014, the Circular on the Relevant Issues Concerning Foreign Exchange Control on Domestic Residents Outbound Investment and Financing and Roundtrip Investment through Special Purpose Vehicles promulgated by the SAFE came into effect. This circular prescribes operational procedures and registration requirements for roundtrip investment through special purpose companies and others. In particular, it states that a domestic resident shall apply to the relevant local branch of the SAFE for foreign exchange registration of overseas investment, prior to making contribution to a special purpose company with legitimate domestic or overseas assets or interests.

Equity Incentive Plans

On February 15, 2012, the Notice of SAFE on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals' Participation in Equity Incentive Plans of Overseas-Listed Companies came into effect. This notice prescribes foreign exchange registration requirements for domestic individuals such as directors, supervisors, officials and other employees in relation to equity incentive plans of companies listed abroad, including employee stock ownership plans, employee stock option plans and other equity incentive programs permitted by applicable laws and regulations. Under the notice, individuals who participate in equity incentive plans of an overseas listed company shall, through the domestic companies they serve, collectively entrust a domestic agency to handle matters such as foreign exchange registration with the SAFE, account opening, and funds transfer and remittance, and also entrust an overseas institution to handle matters such as exercise of options, purchasing and sale of related equity and transfer of funds. An individual may use his/her own foreign currency funds in his/her personal foreign currency deposit account, RMB funds or other legitimate domestic funds to participate in an equity incentive plan.

Regulations on Dividend Distribution

The principal legislation with respect to payment or distribution of dividends by wholly foreign-owned enterprises include (i) the Company Law of the People's Republic of China, most recently amended by the Standing Committee of the National People's Congress as of March 1, 2014, and (ii) Wholly Foreign-Owned Enterprise Law of the People's Republic of China, promulgated on April 12, 1986 and amended on October 31, 2000 by the Standing Committee of the National People's Congress. Under these laws, wholly foreign-owned enterprises in the PRC may pay dividends only out of accumulated profits, after setting aside annually at least 10% of accumulated after-tax profits as reserve fund, if any, until such time as the accumulative amount of such fund reaches 50% of the enterprise's registered capital. A wholly foreign-owned enterprise may allocate a portion of its after-tax profits to its employee welfare and bonus funds at its discretion. These reserve funds may not be distributed as cash dividends.

Regulations on Foreign Investment

According to the Catalogue for the Guidance of Foreign Investment Industries (Revised in 2017), or the 2017 Catalogue, there is no restriction on the foreign-invested advertising company as advertising industry falls within neither the catalogue of prohibitions nor the catalogue of restrictions. Moreover, the Regulations for the Administration of Foreign-Invested Advertising Enterprises, which prescribed certain restrictions on foreign investors were abolished on June 29, 2015.

According to the 2017 Catalogue, market survey falls into the catalogue of restrictions, which means foreign investors can engage in businesses in this industry only through a sino-foreign enterprise, while social survey falls into the catalogue of prohibitions.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which will come into effect on January 1, 2020 and will replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The organization form and activities of foreign-invested enterprises shall be governed by the laws of the Company Law of the People's Republic of China and the Partnership Enterprise Law of the People's Republic of China. Foreign-invested enterprises established before the implementation of the Foreign Investment Law may retain the original business organization and so on within five years after the implementation of the Foreign Investment Law.

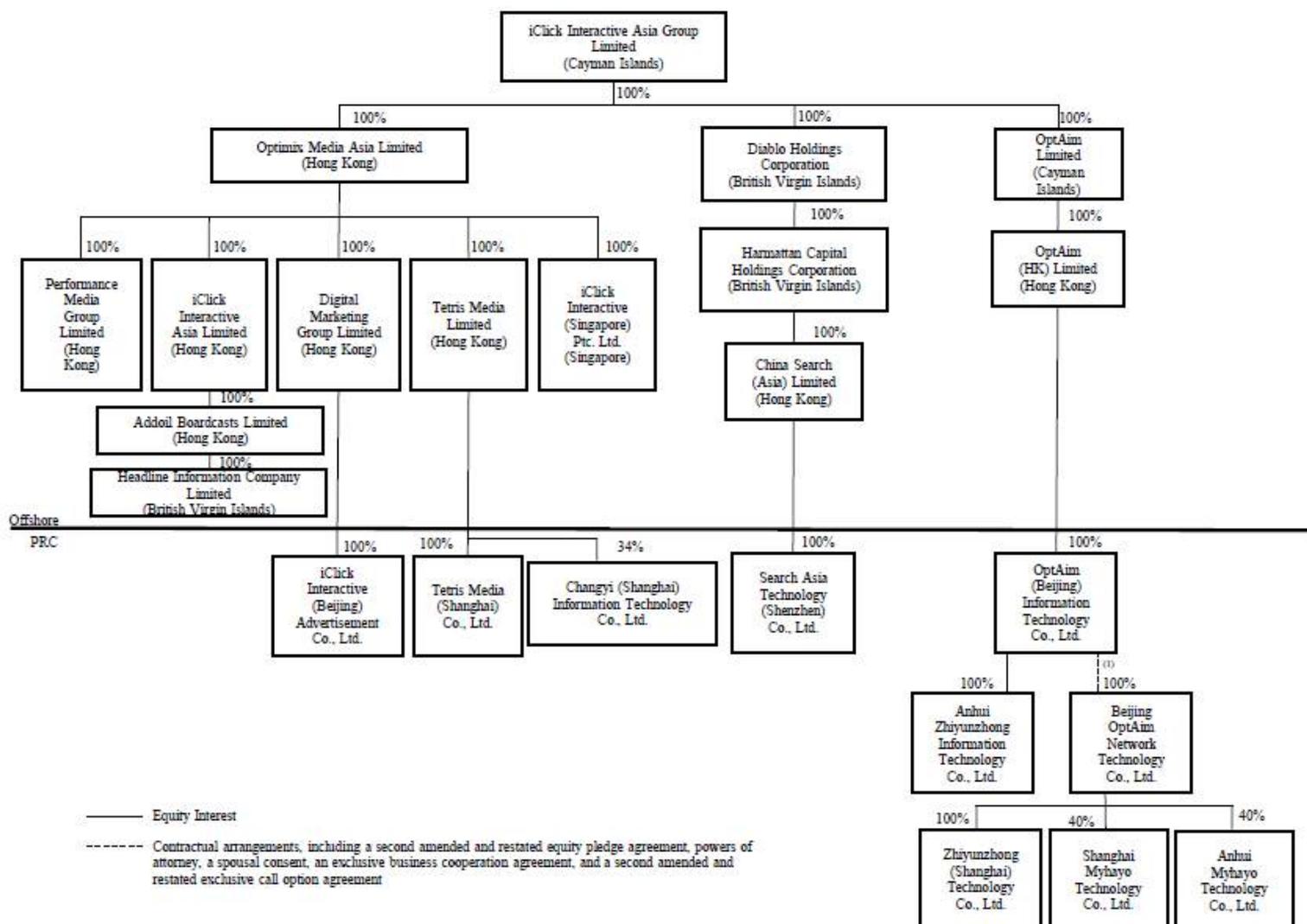
The Foreign Investment Law is formulated to further expand opening-up, promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access shall not be less favorable than that of domestic investors and their investments. The negative list management system means that the state implements special administrative measures for access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list effective on June 2018 and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

The Foreign Investment Law does not mention the relevant concept and regulatory regime of VIE structures, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. Under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though the Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment.

If our contractual arrangements is considered a form of foreign investment, then we may be required to complete the MOC market entry clearance, and we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to obtain such clearance when required, our VIE structure may be regarded as invalid and illegal. As a result, we would not be able to (i) continue our business in China through our contractual arrangements with the VIE and shareholders of the VIE, (ii) exert control over the VIE, (iii) receive the economic benefits of the VIE under such contractual arrangements, or (iv) consolidate the financial results of the VIE. Were this to occur, our results of operations and financial condition would be materially and adversely affected and the market price of our ADSs may decline. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

C. Organizational Structure

The following chart illustrates our company’s organizational structure, including our principal subsidiaries and consolidated affiliated entities as of March 31, 2019:



(1) The nominee shareholders of OptAim Network are Jie Jiao and Jian Tang, who hold 51% and 49% equity interests in OptAim Network, respectively. Jie Jiao is our former chief financial officer, and Jian Tang is our co-founder, director, chief operating officer and chief technology officer. As of the date of this annual report, Jian Tang and Jie Jiao are the nominee shareholders of OptAim Network, and we are arranging the transfer of Ms. Jie Jiao’s equity interest in OptAim Network to an affiliate of our company.

We conduct substantially all our operations through the following consolidated subsidiaries:

- iClick Interactive Asia Limited: primarily focusing on providing both mobile marketing solutions and other marketing solutions to Hong Kong and overseas clients
- Tetris Media Limited and Tetris Media (Shanghai) Co., Ltd.: primarily focusing on providing our other marketing solutions to agency clients and its business are gradually being transferred to iClick Interactive Asia Limited
- Performance Media Group Limited: primarily focusing on providing mobile marketing solutions and other marketing solutions to Hong Kong clients
- China Search (Asia) Limited and its subsidiaries: promoting content distribution opportunities for the publisher under our sales agency arrangement
- iClick Interactive (Singapore) Pte. Ltd: primarily focusing on providing both mobile marketing solutions and other marketing solutions to Singapore and other overseas clients
- iClick Interactive (Beijing) Advertisement Co., Ltd.: primarily focusing on providing our other marketing solutions to PRC clients
- Anhui Zhiyunzhong Information Technology Co., Ltd.: primarily focusing on providing mobile marketing solutions to PRC clients
- OptAim (Beijing) Information Technology Co., Ltd.: primarily focusing on providing mobile marketing solutions to PRC clients through our VIE and the VIE's subsidiary
- Beijing OptAim Network Technology Co., Ltd. which is our VIE, and its subsidiary: primarily focusing on providing mobile marketing solutions to PRC clients
- Changyi (Shanghai) Information Technology Co., Ltd.: primarily focusing on providing enterprise solutions
- Shanghai Myhayo Technology Co., Ltd.: primarily focusing on providing mobile content distributions in PRC

After the abolishment of the foreign ownership restriction in advertising business, we had been transferring the advertising business previously operated by our VIE, OptAim Network, primarily consisting of our mobile marketing solution business, to our wholly-owned subsidiaries. As of December 31, 2018, our wholly-owned subsidiaries had replaced OptAim Network as contracting party for all our mobile marketing solution business. In November 2018, OptAim Network acquired the controlling investment in Shanghai Myhayo Technology Co., Ltd., a content distribution channel and a mobile content aggregator of articles and short videos in the PRC, which presents customized feeds to users via its mobile application.

Contractual Arrangements with OptAim Network

Foreign ownership in advertising companies used to be subject to certain restrictions under the PRC laws and regulations. For example, according to the Administrative Provisions on Foreign-Invested Advertising Enterprises, foreign investors were required to meet several conditions in order to invest in the PRC advertising business, such as a minimum number of years of advertising-related experience and an approval from the relevant PRC regulatory authority. OptAim is a Cayman Islands company and OptAim Beijing, its PRC subsidiary, is considered an FIE. To comply with the then-effective PRC laws and regulations, including the Administrative Provisions on Foreign-Invested Advertising Enterprises, OptAim Beijing entered into a set of contractual arrangements with OptAim Network and its shareholders. The laws and regulations that imposed restrictions on foreign ownership in advertising companies, including the Administrative Provisions on Foreign-Invested Advertising Enterprises were abolished in June 2015.

Under the Measures on the Administration of Foreign-related Surveys, or the Foreign-related Surveys Measures, promulgated by the National Bureau of Statistics of China on October 13, 2004, no individual or organization may conduct any foreign-related survey without a license for foreign-related survey granted by the National Bureau of Statistics in China or its local counterparts. Under the Catalogue for the Guidance of Foreign Investment Industries, promulgated by the Ministry of Commerce and National Development and Reform Commission on June 28, 2017, only a domestic enterprise or a sino-foreign enterprise which meets the several requirements stipulated in the Foreign-related Surveys Measures can apply for a license for the foreign-related survey. We do not believe our collection and use of multiple kinds of data from multiple sources in China to improve the cost-effectiveness of marketing campaigns for marketers in and outside China fall within the scope of “foreign-related survey” under the Foreign-related Survey Measures. However, there are uncertainties under the PRC laws whether such activities may be deemed as “foreign-related survey”, which would require a foreign-related survey license from the National Bureau of Statistics in China or its local counterparts. In light of these uncertainties and out of prudence, we, through our VIE, OptAim Network, applied for and were granted a foreign-related survey license on June 6, 2017. If the PRC regulatory authorities disagree with our interpretation of what would constitute foreign-related survey and enforcement practices on foreign-related survey licensing requirement or if we expand our business scope to engage in activities falling within the scope of foreign-related survey, we will need to continue to rely on OptAim Beijing’s contractual arrangements with OptAim Network and its shareholders to conduct certain of our operations in China, including to transfer such operations to our VIE to the extent they are deemed foreign-related survey. See “Item 3. Key Information—D. Risk Factors— Risk Related to Our Corporate Structure — We rely on the contractual arrangements that establish the structure for certain of our operations in China and we will need to rely on the contractual arrangements when and to the extent our operations are deemed as foreign-related survey.”

Under the relevant PRC laws, commercial operators of value-added telecommunication services, which refer to providers of telecommunications and information services through public network infrastructures that provide information or services to internet users with a charge, shall obtain a value-added telecommunications business operation license. See “Regulations -Regulations on Value-added Telecommunication Services” and “—Regulations on Internet Content Providers.” It is unclear whether Myhayo’s business model would render it a commercial operator of value-added telecommunication services under the relevant PRC laws, in which case Myhayo would be required to hold a value-added telecommunication license. Pursuant to the Special Administrative Measures, or Negative List 2018, jointly promulgated by the MOFCOM and NDRC on July 28, 2017, foreign investment in value-added telecommunication services is subject to certain restrictions. See “—Regulations — Regulations on Foreign Direct Investment in Value-Added Telecommunications Companies”. As a result, we made our controlling investment in Myhayo through OptAim Network, our VIE. As of the date hereof, Myhayo is in the process of applying for the value-added telecommunication services operation license.

The contractual arrangements between OptAim Beijing, OptAim Network and the shareholders of OptAim Network allow us to:

- exercise effective control over OptAim Network and its subsidiaries;
- receive substantially all of the economic benefits of OptAim Network and its subsidiaries; and
- have an exclusive option to purchase all or part of the equity interests and assets in OptAim Network.

As a result of these contractual arrangements, we have effective control over, and are the primary beneficiary of, OptAim Network and therefore treat OptAim Network and its subsidiary as our consolidated affiliated entities under U.S. GAAP and have consolidated their financial results in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the currently effective contractual arrangements by and among OptAim Beijing, our wholly-owned subsidiary, OptAim Network, our consolidated VIE, the shareholders of OptAim Network and Zhiyunzhong.

Agreements that Provide us with Effective Control over OptAim Network

Second Amended and Restated Equity Pledge Agreement

OptAim Beijing, OptAim Network and the shareholders of OptAim Network entered into a second amended and restated equity pledge agreement on May 26, 2017. Pursuant to the second amended and restated equity pledge agreement, each shareholder of OptAim Network has pledged all of his or her equity interest in OptAim Network to OptAim Beijing to guarantee the performance by such shareholder and OptAim Network of their respective obligations under the exclusive business cooperation agreement, powers of attorney and the second amended and restated exclusive call option agreement as well as their respective liabilities arising from any breach. If OptAim Network or any of its shareholders breaches any obligations under these agreements, OptAim Beijing, as pledgee, will be entitled to dispose of the pledged equity and have priority to be compensated by the proceeds from the disposal of the pledged equity. Each of the shareholders of OptAim Network agrees that before his or her obligations under the contractual arrangements are discharged, he or she will not dispose of the pledged equity interests, create or allow any encumbrance on the pledged equity interests, or take any action which may result in any change of the pledged equity that may have material adverse effects on the pledgee’s rights under this agreement without the prior written consent of OptAim Beijing. The second amended and restated equity pledge agreement will remain effective until OptAim Network and its shareholders discharge all their obligations under the contractual arrangements and pay out all consulting and services fees under the exclusive business cooperation agreement. We have completed the registration of the equity pledge with the relevant office of the Administration for Industry and Commerce in accordance with PRC Property Rights Law on June 21, 2017.

Powers of Attorney

Through powers of attorney dated May 26, 2017, each shareholder of OptAim Network irrevocably authorizes OptAim Beijing or any person(s) designated by OptAim Beijing to act as his or her attorney-in-fact to exercise all of such shareholder's voting and other rights associated with the shareholder's equity interest in OptAim Network, such as the right to appoint directors, supervisors and officers, as well as the right to sell, transfer, pledge and dispose of all or a portion of the shares held by such shareholder. The powers of attorney will remain in force unless OptAim Beijing gives out any instruction in writing otherwise. Once the powers of attorney are terminated in whole or in part, each shareholder shall revoke his/her power of attorney to OptAim Beijing and immediately sign another power of attorney with the person(s) designated by OptAim Beijing.

Spousal Consent

The spouse of Jian Tang signed a spousal consent letter on May 26, 2017. Jian Tang holds 49% equity interest in OptAim Network. Under the spousal consent letter, the signing spouse unconditionally and irrevocably agreed that she was aware of the disposal of OptAim Network shares held by Jian Tang in the following second amended and restated exclusive call option agreement, the abovementioned power of attorney, and the second amended and restated equity pledge agreement. The signing spouse confirmed not having any interest in the OptAim Network shares and committed not to impose any adverse assertions upon those shares. The signing spouse further confirmed that her consent and approval are not needed for any amendment or termination of the abovementioned agreements and committed that she shall take all necessary measures needed for the performance of those agreements.

Agreement that Allows Us to Receive Economic Benefits from OptAim Network

Exclusive Business Cooperation Agreement

OptAim Beijing, OptAim Network and Zhiyunzhong entered into an exclusive business cooperation agreement on January 16, 2015. Pursuant to this agreement, OptAim Beijing or its designated party has the exclusive right to provide OptAim Network and Zhiyunzhong with technical support, consulting services and other services. Without OptAim Beijing's prior written consent, OptAim Network and Zhiyunzhong shall not accept any technical support and services covered by this agreement from any third party. OptAim Network and Zhiyunzhong agree to pay service fees in an amount equal to 100% of their respective net income for the relevant period on a monthly basis. OptAim Beijing owns the intellectual property rights arising out of the provisions of services under this agreement. OptAim Network and Zhiyunzhong shall grant an irrevocable call option to OptAim Beijing to purchase all or any of their assets or business with the lowest price allowed by PRC law. Unless OptAim Beijing terminates this agreement, this agreement will remain effective until any party thereto is dissolved in accordance with PRC law.

Agreement that Provides Us with the Option to Purchase the Equity Interest in OptAim Network

Second Amended and Restated Exclusive Call Option Agreement

OptAim Beijing, OptAim Network and the shareholders of OptAim Network entered into a second amended and restated exclusive call option agreement on May 26, 2017. Pursuant to the second amended and restated exclusive call option agreement, the shareholders of OptAim Network have irrevocably granted OptAim Beijing or any third party designated by OptAim Beijing a second amended and restated exclusive call option to purchase all or part of their respective equity interests in OptAim Network. Until there is any evaluation request by PRC law, the purchase price is equal to RMB100 or the lowest price allowed by PRC law. Unless otherwise agreed, the shareholders of OptAim Network will immediately gift OptAim Beijing or any third party designated by OptAim Beijing with the purchase price after OptAim Beijing or any third party designated by OptAim Beijing exercises the option. OptAim Beijing may transfer all or part of its option under this agreement to a third party under the approval of the shareholders of OptAim Beijing. Without OptAim Beijing's prior written consent, the shareholders of OptAim Network shall not, among other things, amend its articles of association, increase or decrease the registered capital, sell, dispose of or set any encumbrance on its assets, business or revenue outside the ordinary course of business, enter into any material contract, merge with any other persons or make any investments, distribute dividends, or enter into any transactions which have material adverse effects on its business. The shareholders of OptAim Network also jointly and severally undertake that they will not sale, transfer, pledge, or otherwise dispose of their equity interests in OptAim Network to any third party or create or allow any encumbrance on their equity interests. This agreement will remain effective until OptAim Beijing or any third party designated by OptAim Beijing has acquired all equity interest of OptAim Network from its shareholders.

In the opinion of Jingtian & Gongcheng, our PRC legal counsel:

- the ownership structures of OptAim Beijing and OptAim Network do not contravene any applicable PRC laws or regulations currently in effect; and
- the contractual arrangements among OptAim Beijing, OptAim Network, the shareholders of OptAim Network and Zhiyunzhong governed by PRC law are valid, binding and enforceable, and do not contravene any PRC laws or regulations currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to or otherwise different from the above opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide. If the PRC government finds that the agreements that establish the structure for the operation of OptAim Network do not comply with PRC government restrictions on foreign investment in our businesses, we could be subject to severe penalties including being prohibited from continuing operations. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — We rely on the contractual arrangements that establish the structure for certain of our operations in China and we will need to rely on the contractual arrangements when and to the extent our operations are deemed as foreign-related survey,” and “— Substantial uncertainties exist with respect to the newly enacted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

D. Property, Plant and Equipment

Our headquarters and principal executive office are located in Hong Kong, in an approximately 830 square-meter facility, under certain lease agreements expiring on December 31, 2021. As of December 31, 2018, we leased approximately 2,900 square-meter office space in China located in Beijing, Shanghai, Shenzhen and Guangzhou, which primarily carry out the functions of technology and data engineering, sales and business development and operation support. Outside of China and Hong Kong, we also have subsidiaries or sales offices in Singapore, Taiwan, Korea and London.

We lease all of our facilities and do not own any real property. Our leases will expire from 2019 to 2021. We believe that our current facilities are suitable and adequate to meet our current needs. If we require additional space, we expect to be able to obtain additional facilities on commercially reasonable terms.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” or in other parts of this annual report on Form 20-F.

Key Factors Affecting Our Results of Operations

We believe the key factors affecting our financial condition and results of operations include the following:

- Our ability to expand mobile app channels;
- Our revenue models;
- Our ability to optimize client base and increase client spending;
- Our ability to enlarge audience data set, strengthen data analytics capabilities and innovate technologies; and
- Seasonality;

Our Ability to Expand Mobile App Channels

Our future growth depends on our ability to expand our content distribution channels, in particular mobile app channels, to capture a larger share of the marketing spend in China. We have been prioritizing the execution of our mobile strategy since 2014 to capture a larger share of marketing spend on mobile apps, including through our acquisition of OptAim on July 24, 2015, which have significantly strengthened our mobile capabilities.

While marketing via non-mobile channels has been established for several years, marketing via mobile channels, in particular via mobile apps, which has a more dynamic competitive landscape, is a relatively new phenomena in China driven by recent innovations in mobile technologies and the growing popularity and prevalence of mobile devices and mobile apps. We have experienced and expect to continue to face significant competition for our mobile marketing solutions, which have resulted in a downward pricing pressure on our mobile marketing solutions. In addition, in light of the rising demand for marketing via mobile apps, mobile app publishers, especially popular mobile app publishers tend to command stronger bargaining power compared to their non-mobile app publisher counterparts, which has increased media costs for our mobile marketing solutions. Furthermore, consistent with the general industry trends for online marketing on mobile channels and on non-mobile channels, a higher percentage of marketing campaigns involving our mobile marketing solutions were conducted on a specified action (i.e., gross) basis while a higher percentage of marketing campaigns involving our other marketing solutions were conducted on a cost-plus (i.e., net) basis in 2018 compared to 2017. See “— Key Components of Results of Operations — Net Revenues” and “— Key Factors Affecting Our Results of Operations — Our revenue models”. Therefore, gross profit margins for our mobile marketing solutions were significantly lower than those for our other marketing solutions for the same periods historically, and we expect the trend to continue. As a result, an increase in the percentage of revenue from our mobile marketing solutions may have a positive impact on our gross billing and net revenues but a negative impact on our gross profit margin.

Furthermore, as we continue to focus on the growth of our mobile marketing solutions, we may, from time to time, prioritize on engaging with marketing agency clients, which may generate larger marketing spend per client compared to direct marketer clients. On the other hand, net revenues as a percentage of gross billing and gross profit margin tend to be lower for marketing agency clients, compared to direct marketer clients. Marketing agency clients represented 21.8%, 27.7% and 28.1% of our clients in 2016, 2017 and 2018 respectively.

We primarily rely on third-party content distribution channels to access content distribution opportunities. To further expand our content distribution network, we need to develop new and enhance our existing relationships with content distribution channel partners, which depends, in part, on our ability to continually generate sufficient marketing spend from our clients on these channels, especially mobile app channels. We also intend to strengthen our relationships with content distribution channel partners through technology collaboration to facilitate innovative and effective user engagement. In addition, in November 2018, we made a controlling investment in Shanghai Myhayo Technology Co., Ltd., a content distribution channel and a mobile content aggregator of articles and short videos in the PRC, which presents customized feeds to users via its mobile application.

Our Revenue Models

We derive revenue primarily from three sources and report them on either the net or gross basis. (i) Revenue from incentives earned from the website publisher for which we act as sales agent for its content distribution opportunities, or the sales agency arrangement; and (ii) revenue from performing cost-plus marketing campaigns are reported on the net basis; and (iii) revenue from performing specified actions marketing campaigns (i.e., a CPM, CPC, CPA, CPS, CPL or ROI basis) is reported on the gross basis. Please see “— Key Components of Results of Operations — Net Revenues” above for more details.

The gross profit margins for our sales agency arrangement and cost-plus marketing campaigns are higher than that for our specified action marketing campaigns as cost of revenues for our sales agency arrangement and cost-plus marketing campaigns does not include media cost. As a result, an increase in the percentage of gross billing recognized as net revenues from performing specified actions marketing campaigns will have a positive impact on our net revenues and a negative impact on gross profit margin. On the other hand, an increase in the percentage of gross billing recognized as net revenues from our sales agency arrangement and from performing cost-plus marketing campaigns will have a negative impact on our net revenues and a positive impact on gross profit margin. Our mobile marketing solutions, on one hand and other marketing solutions, on the other hand, each represent a mixture of revenue recognized on gross basis and on net basis and the proportion of each fluctuates from period to period. Therefore our net revenues, net revenues as a percentage of gross billing, gross profit margin and the comparability of our financial results in one period to another may be affected by the relative percentage of gross billing recognized as net revenues on the gross basis and net basis. The relative percentage of gross billing recognized as net revenues on the gross basis and net basis is in turn, affected by a variety of factors, in particular, the terms of the arrangements with our clients, including whether to conduct their marketing campaigns on a specified-action (i.e., gross) or cost-plus (i.e., net) basis in a particular period, which in turn depends on clients’ needs and goals.

Our Ability to Optimize Client Base and Increase Client Spending

Our growth and profitability are dependent upon our ability to optimize client base and increase client’s spending related to marketing and customer management. We started a comprehensive review of our client base for other marketing solutions in 2016 to focus on profitability and liquidity. For example, we terminated relationship with certain clients for our other marketing solutions, which had relatively long account receivable cycles and yielded relatively low operating profit margins in 2016 and the first half of 2017. We have also been focused, and expect to continue our focus, on sales to direct marketer clients, which tend to command higher gross profit margin compared to agency clients, although as we continue to focus on the growth of our mobile marketing solutions, we may, from time to time, prioritize on engaging with marketing agency clients, which may generate larger marketing spend per client compared to direct marketer clients. Furthermore, our growth and profitability also depend on our ability to attract more marketers to our self-service model, and to further diversify our client base to capture the growth in additional industry verticals and geographic markets.

Our ability to increase clients’ spending on our platform depends on whether our solutions can effectively address marketers’ evolving and diverse needs in a cost-efficient manner. To that end, we plan to develop and offer more tailored, innovative and user-friendly solutions and services and enhance our sales, marketing and account servicing efforts. For example, we are making efforts to promote our newly launched solutions to clients by enhancing our ability to effectively identify and address clients’ needs on customer relationship management and comprehensive and customized data acquisition, mining and analytics for real-time, data-driven and more accurate decision making.

Our Ability to Enlarge Audience Data Set, Strengthen Data Analytics Capabilities and Innovate Technologies

Our performance is significantly dependent on our ability to enlarge audience data set, strengthen data analytics capabilities and innovate technologies. This helps clients achieve more precise audience targeting and enables us to retain clients and increase their marketing spend. It also helps drive up our gross profit margin under our gross revenue model as we make better decisions about which content distribution opportunities to bid for and at which price, and better predict user interaction with a marketing message to achieve our clients’ minimum key performance indicator, or KPI requirements without having to purchase additional content distribution opportunities and incur additional media cost. Such KPIs generally include target audience reach (i.e., the percentage of target audience we successfully engage through our platform), click-through rate (i.e., the ratio of users who click on a specific link to the number of total users who view a marketing message) and landing rate (i.e., the ratio of users who arrive at the clients’ websites to the number of total users who view a marketing message). Furthermore, our ability to enlarge audience data set, strengthen data analytics capabilities and innovate technologies enables us to extend our data application across more aspects in online marketing and beyond to capitalize on more growth opportunities.

We plan to continue collaborating with clients and other third parties to increase the dimensions and varieties of our data assets and develop new strategic relationships to exploit new data sources and enlarge audience data set. We also plan to continue investing in our data science technologies and upgrading our technology infrastructure.

Seasonality

We have experienced seasonal fluctuations in revenue. The fourth quarter of each calendar year generally contributes the largest portion of our annual gross billing as marketers tend to allocate a significant portion of their online marketing budgets to that quarter, which coincides with Chinese consumers' increased purchases around the holidays and shopping events in that quarter, such as Single's Day on November 11 of each year. The first quarter of each calendar year generally contributes the smallest portion of our annual gross billing, primarily due to a lower level of allocation of online marketing budgets by marketers at the beginning of the calendar year in which the Chinese New Year holidays fall, during which time businesses in China are generally closed. We expect our gross billing to continue fluctuating based on seasonal factors that affect the online marketing industry as a whole.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the end of each reporting period and (iii) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these estimates and assumptions based on historical experience, knowledge and assessment of current business and other conditions, expectations regarding the future based on available information and reasonable assumptions, which together form a basis for making judgments about matters not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our financial statements as their application places the most significant demands on the judgment of our management. For further information on our critical accounting policies, see Note 2 to our consolidated financial statements.

Consolidation of Variable Interest Entities

Foreign ownership in advertising companies used to be subject to certain restrictions under PRC laws and regulations. To comply with the then-effective PRC laws and regulations, OptAim Beijing entered into a set of contractual arrangements with OptAim Network and its shareholders. The contractual arrangements between OptAim Beijing, OptAim Network and the shareholders of OptAim Network allow us to:

- exercise effective control over OptAim Network and its subsidiaries;
- receive substantially all of the economic benefits of OptAim Network and its subsidiaries; and
- have an exclusive option to purchase all or part of the equity interests and assets in OptAim Network when and to the extent permitted by PRC law.

Our consolidated financial statements include the financial statements of the Company, its subsidiaries, its VIE and the VIE's subsidiaries for which we are the primary beneficiary. All transactions and balances among we, our subsidiaries, our VIE and the VIE's subsidiaries have been eliminated upon consolidation.

A subsidiary is an entity in which we, directly or indirectly, control more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which we, or our subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity. In determining whether we or our subsidiaries are the primary beneficiary, we considered whether it has the power to direct activities that are significant to the VIE's economic performance, and also our obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. OptAim Beijing, and ultimately we, hold all the variable interests of the VIE and its subsidiaries, and has been determined to be the primary beneficiary of the VIE.

In accordance with the contractual agreements among the OptAim Beijing, OptAim Network and the shareholders of OptAim Network, we have power to direct activities of the VIE, and can have assets transferred out of the VIE. Therefore, we consider that there is no asset in the VIE that can be used only to settle obligations of the VIE, except for registered capital and PRC statutory reserves of the VIE and the VIE's subsidiaries amounting to US\$2.0 million and US\$2.0 million, respectively, as of December 31, 2017 and 2018. As the VIE was incorporated as limited liability company under the PRC Company Law, the creditors do not have recourse to our general credit for all the liabilities of the VIE. Currently there is no contractual arrangement that could require us to provide additional financial support to the VIE.

As we are conducting our PRC online advertising services business through OptAim Network, we will, if needed, provide such support on a discretion basis in the future, which could expose us to a loss.

We believe that the contractual arrangements among OptAim Beijing, OptAim Network and the shareholders of OptAim Network are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements and if the shareholders of VIE were to reduce their interest in us, their interests may diverge from ours and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

Our ability to control the VIE also depends on the power of attorney and OptAim Beijing has to vote on all matters requiring shareholder approval in the VIE. As noted above, we believe this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

Fair Value Determination Related to the Accounting for Business Combinations

We completed business combinations during 2015 and 2018 which require us to perform purchase price allocations. In order to recognize the fair value of assets acquired and liabilities assumed, mainly consisting of intangible assets and goodwill, we use valuation techniques such as discounted cash flow analysis under the income approach. Major factors considered include historical financial results and assumptions including future growth rates, terminal rate and an estimate of weighted average cost of capital. Most of the valuations of our acquired businesses have been performed by independent valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that market participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates.

Impairment of Goodwill

Impairment of goodwill assessment is performed on at least an annual basis on December 31 or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. According to ASC 350-20-35, an entity may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. We, however, select to proceed directly to perform a two-step goodwill impairment test. The first step compares the fair values of a reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in adjusting the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. The judgment in estimating the fair value of a reporting unit includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of the fair value of a reporting unit. No goodwill impairment losses were recognized for the years ended December 31, 2016, 2017 and 2018.

Revenue Recognition

On January 1, 2018, we adopted ASU 2014-09 “Revenue from Contracts with Customers (Topic 606)” and subsequent amendments to the initial guidance or implementation guidance issued between August 2015 and December 2016 within ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 (collectively, “ASC 606”) using a modified retrospective approach applied to contracts that were not completed as of January 1, 2018. The adoption did not have a material impact on the accumulated deficit as of January 1, 2018. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the our historic accounting under ASC 605.

Our services are the provision of online marketing services. We utilize a combination of pricing models and revenue is recognized when the related services are delivered based on the specific terms of the contract, which are commonly based on (i) agreed incentive to be earned for being a sales agent of a publisher, (ii) cost-plus or (iii) specified actions (i.e. cost per impression (“CPM”), cost per click (“CPC”), cost per action (“CPA”), cost per sale (“CPS”), cost per lead (“CPL”) or return on investment (“ROI”)) and related campaign budgets, depending on the customers’ preferences and their campaigns launched.

The following table presents our revenue recognized from contracts with customers disaggregated by the three types of pricing models:

	For the year ended		
	December 31, 2016	December 31, 2017	December 31, 2018
	Under ASC 605	Under ASC 605	Under ASC 606
Recognized over time			
- Sales agent	7,924	8,311	8,671
- Cost-plus	<u>15,378</u>	<u>10,788</u>	<u>12,192</u>
	<u>23,302</u>	<u>19,099</u>	<u>20,863</u>
Recognized at point in time			
- Specified actions	<u>72,055</u>	<u>106,159</u>	<u>139,154</u>
	<u>95,357</u>	<u>125,258</u>	<u>160,017</u>

As noted above, in accordance with the modified retrospective method upon adoption of ASC 606, prior period amounts have not been adjusted.

We recognize revenue when we satisfy a performance obligation by transferring a promised service to a customer. We consider the following when determining if a contract exists under which the performance obligations have been satisfied: (i) contract approval by all parties, (ii) identification of each party’s rights regarding the goods or services to be transferred, (iii) specified payment terms, (iv) commercial substance of the contract, and (v) collectability of substantially all of the consideration is probable. Collectability is assessed based on a number of factors, including the creditworthiness of a customer, the size and nature of a customer’s business and transaction history.

Revenues are recorded net of value-added taxes.

Sales agent

In the arrangement with a particular publisher, we act as a sales agent for this publisher in selling marketing spaces to marketing clients. In return, we earn incentives from this publisher based on contractually stipulated amounts when certain spending thresholds are achieved. We consider this particular publisher as a customer and record such incentives as net revenues. Incentives from this publisher are calculated on both a quarterly and an annual basis in accordance with the terms as set out in the arrangement.

Revenue under this arrangement is recognized over-time given we consider this particular publisher simultaneously receives and consumes the benefits provided by our performance as we perform. In other words, when we purchase marketing spaces on behalf of the marketing clients throughout the marketing campaigns as requested by them, this particular publisher simultaneously receives and consumes the benefit of the marketing spaces being purchased and therefore we are entitled to incentive payment from this publisher.

We grant rebates to marketing clients under the sales agent arrangement. The majority of marketing clients under this arrangement are not customers under either the cost-plus arrangement or specified actions arrangement. We record rebates granted to such marketing clients as net revenues.

Cost-plus

For cost-plus advertisement campaigns, sales are recognized at the fair value of the amount received. Discounts granted to marketing clients under cost-plus marketing campaigns are recorded as a reduction of revenue. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether we are acting as the principal or an agent in the transactions. In the normal course of business, we act as an intermediary in executing transactions between website publishers and marketing clients. The specified service in the cost-plus arrangement is the provision of marketing space, which is controlled by the website publishers, rather than us. We assist the marketing clients to place orders with specific website publishers based on specification set out the marketing clients. We do not have the ability to direct the use of marketing space and do not have any inventory risk. Pricing is generally based on the actual advertising spending incurred by the marketing clients plus a margin. Accordingly, we conclude that we are not the principal in these arrangements and reports revenue earned and costs incurred related to these transactions on a net basis.

Revenue under this arrangement is recognized over-time as we consider our customers simultaneously receive and consume the benefits provided by our performance. At the time we purchase marketing spaces during the contract term for our customers, the customers' advertisements could be placed throughout the marketing campaign. Revenue recognition under this arrangement is not based on an occurrence of significant act or milestone method.

Throughout the various services delivered to clients under the cost-plus arrangements, we earn rebates from publishers and grant rebates to marketing clients. The rebates that we grant to marketing clients under cost-plus arrangement are recorded as reduction of revenue and are recorded based on the amount the marketing clients would ultimately need to spend to earn the corresponding level of rebates. We are also able to reasonably estimate the spending the customers can ultimately achieve based on the historical spending patterns of the customers with similar arrangements. The rebates that we receive from publishers under the cost-plus arrangements are recorded as revenue. These rebates are recognized when a particular milestone is achieved (i.e. applying the relevant rebates based on the level of spending threshold actually achieved) and spending has actually occurred.

Specified actions

We also generate revenue from performing specified actions (i.e. a CPM, CPC, CPA, CPS, CPL or ROI basis). Revenue is recognized on a CPM or CPC basis as impressions or clicks are delivered while revenue on a CPA, CPS, CPL or ROI basis is recognized once agreed actions are performed. For the specified actions advertisement campaigns, we are the principal as we have the obligation to deliver successful actions requested by marketing clients. Also, we will only be paid if successful actions can be delivered and is exposed to risk of loss. In terms of pricing, we have complete latitude in establishing the selling prices of each of the CPM, CPC, CPA, CPS, CPL or ROI pricing model. Our margin may vary as the costs incurred to deliver successful actions may vary and we are therefore exposed to risk of loss whereby validating our degree of responsibility to our customers. Although the inventory risk under specified actions arrangement is considered to be low, we conclude that we are the principal in such arrangement as we are the principal ultimately responsible for delivering successful actions and in charge of establishing the price per action. Accordingly, we report revenue earned and costs incurred related to these transactions on a gross basis.

Revenues under this arrangement is recognized at point-in-time when we are able to deliver the specified actions as requested by the customers. Upon the occurrence of the specified actions, the customers take control of the specified actions and this is when we recognize the corresponding revenue. Unlike the cost-plus arrangement, when we purchase marketing spaces in order to deliver the specified actions, the customers do not receive and consume the benefit as the benefit to be received by the customers is the occurrence of the specified actions. Also, we do not create or enhance an asset that the customers control as the marketing spaces ultimately belong to the publishers. We do not have any right to payment for simply purchasing the marketing spaces and would only be compensated upon delivery of the specified actions.

Similar to the cost-plus arrangements, we earn rebates from publishers and grant rebates to marketing clients under specified action arrangement. Likewise, the rebates that we grant to marketing clients under specified action arrangement are recorded as reduction of revenue and are recorded based on the amount the marketing clients would ultimately need to spend to earn the corresponding level of rebates based on the historical spending patterns of the customers with similar arrangements. The rebates that we receive from publishers under the specified action arrangements are recorded as a reduction of cost of revenues. Similar to the cost-plus arrangement, these rebates under specified action arrangements are recognized when a particular milestone is achieved (i.e. applying the relevant rebates based on the level of spending threshold actually achieved) and spending has actually occurred.

Adoption of ASC 606

Under ASC 605, we recorded rebates granted to marketing clients under the sales agent arrangement as cost of revenues as (i) we considered these rebates were for an identifiable benefit that was separable from the marketing clients' purchase of our services and (ii) we were able to reasonably estimate the fair value of the benefit received from granting these rebates. However, the notion of "separate identifiable benefit" under ASC 605 was not carried forward into ASC 606. ASC 606 requires the rebates granted to marketing clients under sales agent arrangement to be recorded as a reduction of revenue unless we are receiving a distinct good or service with the payment to the marketing clients. Given we cannot establish such a distinct good or service with the payment to marketing clients under the sales agent arrangement, rebates to marketing clients under this arrangement are recorded as a reduction of revenue under ASC 606. The resulting impact to the consolidated financial statements for the year ended December 31, 2018 was a decrease of US\$2.7 million in net revenues, with a corresponding decrease in cost of revenues.

The following table illustrates the effect of the adoption of ASC 606 by presenting a comparison of selected line items from our consolidated statements of comprehensive loss for the year ended December 31, 2018, as actually reported and as they would have been reported under ASC 605, without the adoption of ASC 606 (in thousands, except per share data):

	<u>As reported</u>	<u>Without adoption of ASC 606</u>	<u>Effect of change higher/(lower)</u>
Net revenues	160,017	162,671	(2,654)
Cost of revenues	(120,897)	(123,551)	(2,654)
Gross profit	39,120	39,120	—
Loss before income tax expense	(31,956)	(31,956)	—
Income tax expense	(655)	(655)	—
Net loss	(32,611)	(32,611)	—
Basic net loss per share attributable to iClick Interactive Asia Group Limited	(1.23)	(1.23)	—
Diluted net loss per share attributable to iClick Interactive Asia Group Limited	(1.23)	(1.23)	—

The adoption of ASC 606 did not change our consolidated balance sheet, consolidated statement of cash flows, or consolidated statement of changes in equity for the year ended December 31, 2018.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when we have satisfied our performance obligations and have the unconditional right to payment. The allowance for doubtful accounts is estimated based upon our assessment of various factors, including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect our customers' ability to pay. We normally do not have contract assets, which are primarily unbilled accounts receivable that are conditional on something other than the passage of time.

Deferred revenue represents contract liabilities which related to unsatisfied performance obligations at the end of the period. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period. Revenue recognized during the year ended December 31, 2018 relating to deferred revenue as of January 1, 2018 was US\$25.4 million. Changes in deferred revenue balance for the year ended December 31, 2018 were as follows:

Balance as of January 1, 2018	33,037
Additions to deferred revenue	192,822
Recognition of deferred revenue as revenues	(197,698)
Exchange differences	(970)
Balance as of December 31, 2018	<u>27,191</u>

Revenue recognized in the current period from performance obligations related to prior periods was not material.

Practical Expedients

We have used the following practical expedients as allowed under ASC 606:

- (i) The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed as substantially all of our contracts have a duration of one year or less.
- (ii) Payment terms and conditions vary by contract type, although terms generally include a requirement of prepayment or payment within one year or less. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that its contracts generally do not include a significant financing component.
- (iii) We generally expense sales commissions when incurred because the amortization period would be one year or less. These costs are recorded within sales and marketing expenses.

Rebates

Throughout the various services delivered to our clients under the cost-plus and specified action arrangements, we earn rebates from our publishers and grant rebates to clients. The rebates we grant to clients under cost-plus/specified actions arrangement are recorded as reduction of revenue and are recorded based on the amount the marketing clients would ultimately need to spend to earn the corresponding level of rebates. We are also able to reasonably estimate the spending our customers can ultimately achieve based on the historical spending patterns of our customers with similar arrangements. The rebates we receive from our publishers under the specified action arrangements are recorded as reduction of cost of revenue, while under the cost-plus arrangements, they are recorded as revenue. These rebates are recognized when a particular milestone is achieved (i.e. applying the relevant rebates based on the level of spending threshold actually achieved) and spending has actually occurred. Furthermore, no rebates have been received from the publisher under the sales agent arrangements.

We grant rebates to our clients under sales agent arrangement. The majority of the clients under our sales agent arrangement are not our clients under either the cost-plus arrangement or specified action arrangement. We record rebates granted to clients under the sales agent arrangement as reduction of revenue.

Valuation of Ordinary Shares, Preferred Shares and Share Options

Fair Value of Preferred Shares

Prior to our initial public offering in December 2017, we were a private company with no quoted market prices for our ordinary shares. We therefore needed to make estimates of the fair value at various dates. In determining fair value of our preferred shares, we, with the assistance of independent appraisers, adopted a two-step method as follows:

Step 1: to derive the fair value of total equity by adopting the discounted cash flow (“DCF”) Method;

Step 2: based on the total equity value derived in step 1, to derive the fair value of each class of shares by adopting equity allocation method.

Significant Factors, Assumptions, and Methodologies Used in Determining Fair Value of Total Equity

We, with the assistance of an independent appraiser, mainly performed retrospective valuations instead of contemporaneous valuations because, at the time of valuation, our financial resources and limited human resources were principally focused on business development efforts. This approach is consistent with the guidance prescribed by the AICPA Audit and Accounting Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the Practice Aid. We, with the assistance of an independent appraiser, evaluated the use of three generally accepted valuation approaches: market, cost and income approaches to estimate our enterprise value. We and our appraisers considered the market and cost approaches as inappropriate for valuing our total equity because no exactly comparable market transaction could be found for the market valuation approach, and the cost approach does not directly incorporate information about the economic benefits contributed by our business operations. Consequently, we and our appraisers relied solely on the income approach in determining the fair value of our total equity and we adopted market approach in verifying the fair value. This method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to our company.

The income approach involves applying discounted cash flow analysis based on our projected cash flows using management’s best estimate as of the valuation dates. Estimating future cash flow requires us to analyze projected revenue growth, gross profit margins, operating expense levels, effective tax rates, capital expenditures, working capital requirements, and discount rates. Our projected revenues were based on expected annual growth rates derived from a combination of our historical experience and the general trend in our industry. The revenue and cost assumptions we used are consistent with our long-term business plan and market conditions in our industry. We also have to make complex and subjective judgments regarding our unique business risks, our limited operating history, and future prospects at the time of valuation.

The table below sets forth the fair value of total equity as of January 1, 2015, August 1, 2015, December 31, 2015, December 28, 2016, March 31, 2017, June 30, 2017 and September 30, 2017 respectively:

	<u>US\$ in millions</u>
January 1, 2015	325
August 1, 2015	485
December 31, 2015	478
December 28, 2016	441
March 31, 2017	514
June 30, 2017	566
September 30, 2017	521

The other major assumptions used in calculating the fair value of total equity include:

Weighted average cost of capital, or WACC. Our cash flows were discounted to present value using discount rates that reflect the risks the management perceived as being associated with achieving the forecasts and are based on the estimate of our weighted average cost of capital, or WACC, on the issuance date. The WACCs were determined considering the risk-free rate, industry-average correlated relative volatility coefficient, or beta, equity risk premium, country risk premium, size of our company, scale of our business and our ability in achieving forecast projections. We used WACCs of 15.6%, 16.1%, 16.2%, 18.3%, 18.0%, 17.8% and 18.2% for January 1, 2015, August 1, 2015, December 31, 2015, December 28, 2016, March 31, 2017, June 30, 2017 and September 30, 2017, respectively.

Comparable companies. In deriving the WACCs, which are used as the discount rates under the income approach, four publicly traded companies in the U.S. were selected for reference as our guideline companies.

Discount for lack of marketability, or DLOM. At the time of each issuance, we were a closely-held company and there was no public market for our equity securities. To determine the discount for lack of marketability, we and the independent appraisers used the Black-Scholes put option model. A put option was used because it incorporates certain company-specific factors, including timing of the expected initial public offering and the volatility of the share price of the guideline companies. Based on the analysis, we used DLOM of 12.4%, 9.4%, 20.7%, 19.2%, 9.6%, 5.7% and 3.9% for January 1, 2015, August 1, 2015, December 31, 2015, December 28, 2016, March 31, 2017, June 30, 2017 and September 30, 2017, respectively.

Significant Factors Contributing to the Difference in Fair Value Determined of Total Equity

The determined fair value of total equity increased from US\$324.6 million as of January 1, 2015 to US\$485.4 million as of August 1, 2015, decrease to US\$478.0 million as of December 31, 2015 and further to US\$440.8 million as of December 31, 2016, and increase to US\$513.5 million as of March 31, 2017 and further to US\$566.2 million as of June 30, 2017, and decrease to US\$520.8 million as of September 30, 2017. We believe the change in the fair value of our total equity was primarily attributable to the following factors:

The increase of equity value from January 2015 to August 2015 was mainly attributable to the acquisition of OptAim. Our equity values have remained fairly stable from August 2015 to December 2016 and certain fluctuation is attributable to the changes in discount rate as a result of the change in market data adopted in the CAPM model for derivation of WACC (i.e. increase in risk-free rates and unlevered beta of comparable companies has been observed by end of 2015 and 2016). The increase of equity value from December 2016 to June 2017 was attributed to the decrease in lack of marketability discount as a result of the closer timing of the expected initial public offering. The decrease from June 2017 was as a result of the increase in WACC and update on financial projections as of September 30, 2017 to align with our actual performance up to the Valuation Date.

Significant Factors, Assumptions, and Methodologies Used in Determining Fair Value of Preferred Shares

Based on the total equity value as determined by step 1, we, with the assistance of independent appraisers, adopted the Equity Allocation Model, which was referenced to the "Practice Aid Valuation of Privately Held Company Equity Securities Issued as Compensation" issued by the AICPA in 2013, to allocate the equity value of the Company to different class of shares.

We have six classes of shares ordinary shares, series A preferred shares, series B preferred shares, series C preferred shares, series D preferred shares and series E preferred shares. Under such capital structure, different classes of shareholders have economic or control rights disproportionate to their ownership percentage. As such, the fair value of total equity value is allocated to different classes of shareholders regarding to the economic and control rights associated.

As mentioned in the Amended and Restated Memorandum of Association, total equity value will be allocated to different classes of shareholders under three different scenarios, namely liquidation scenario, redemption scenario and conversion scenario (i.e. the IPO scenario).

Under the liquidation scenario and redemption scenario, we applied the Black-Scholes put option model to allocate the total equity value to these four classes of shares while total equity value is allocated on as-if-fully converted basis under the conversion scenario.

The key assumptions used in the equity allocation model with contingent claim to allocate the total equity value under the liquidation scenario and redemption scenario include:

- *Current equity value.* Current equity value is determined as the total equity value derived by step 1;
- *Life to expiration.* Life to expiration is determined based on the remaining contractual life of each class of preferred shares;
- *Riskfree interest rate.* Risk free interest rate is determined based on the yield of U.S. Treasury Strips with a maturity life equal to the expected life to expiration; and
- *Volatility.* volatility is determined based on our comparable companies.

After deriving the values of preferred and ordinary shares under each of the liquidation scenario, redemption scenario and conversion scenario, we then assigned the probabilities of each scenario to arrive at the probability weighted value of each class of shares. The table below sets forth the probability of the three scenarios used in calculating the fair value of the preferred shares as of January 1, 2015, August 1, 2015, December 31, 2015, December 28, 2016, March 31, 2017, June 30, 2017 and September 30, 2017, respectively:

	Liquidation Scenario	Redemption Scenario	Conversion Scenario
January 1, 2015	12.5%	12.5%	75.0%
August 1, 2015	10.0%	10.0%	80.0%
December 31, 2015	10.0%	10.0%	80.0%
December 28, 2016	5.0%	5.0%	90.0%
March 31, 2017	5.0%	5.0%	90.0%
June 30, 2017	5.0%	5.0%	90.0%
September 30, 2017	5.0%	5.0%	90.0%

The table below sets forth the fair value of ordinary shares and preferred shares as of January 1, 2015, August 1, 2015, December 31, 2015, December 28, 2016, March 31, 2017, June 30, 2017 and September 30, 2017, respectively.

	Preferred Shares					Ordinary Shares
	Series - A	Series - B	Series - C	Series - D	Series - E	
			(US\$ in millions)			
January 1, 2015	35	39	23	48	—	183
August 1, 2015	48	51	31	58	—	296
December 31, 2015	49	38	32	59	—	305
December 28, 2016	44	34	29	49	21	293
March 31, 2017	49	37	32	54	23	327
June 30, 2017	54	41	35	58	25	361
September 30, 2017	49	38	32	54	23	333

Share-Based Compensation

We grant share options to eligible employees and account for these share-based awards in accordance with ASC 718 Compensation Stock Compensation.

Share-based awards are measured at the grant date fair value of the awards and recognized as expenses using graded vesting method, net of estimated forfeitures, over the requisite service period, which is the vesting period. Compensation cost is accrued if it is probable that a performance condition will be achieved. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates. Grant date fair values of the awards are calculated using the binomial option pricing model with the assistance from an independent appraiser. The binomial option pricing model is used to measure the value of the awards. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected volatility, risk-free interest rates, exercise multiple, expected dividend yield and expected term. The table below sets forth the key assumptions used in the binomial option model:

The binomial option pricing model is used to determine the fair value of the share options granted to employees and non-employees. The fair values of share options granted during the years ended December 31, 2016, 2017 and 2018 were estimated using the following assumptions:

<u>Date</u>	<u>Risk-free interest rate⁽¹⁾</u>	<u>Dividend yield⁽²⁾</u>	<u>Volatility rate⁽³⁾</u>	<u>Expected term (in years)⁽⁴⁾</u>
Granted during the years ended December 31, 2016 and 2017:				
April 1, 2016	2.00%	0%	49.37%	NA
July 1, 2016	1.62%	0%	50.52%	NA
January 1, 2017	2.67%	0%	50.75%	NA
April 1, 2017	2.59%	0%	50.79%	NA
July 1, 2017	2.35%	0%	47.59%	NA
Modified during the year ended December 31, 2018:				
September 1, 2018 ⁽⁵⁾	2.83%	0%	42.72%	NA
September 1, 2018 ⁽⁶⁾	2.92%	0%	44.65%	NA

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the yield of US Treasury Strips sourced from Bloomberg as of the valuation dates.

(2) The Company has no history or expectation of paying dividends on its ordinary shares.

(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.

(4) The time to expire is assumed to be the option's contractual term while early exercise multiples, being 2.2x and 2.8x for general staff and management staff, respectively, and post-vesting employment termination behavior have been factored into the model to derive the fair values of the share options.

(5) It refers to the modification of options previously granted on January 1, 2015.

(6) It refers to the modification of options previously granted on January 1, 2017.

Fair Value of Convertible Notes

On September 12, 2018, we issued US\$30.0 million of zero-coupon convertible notes at par. The convertible notes will mature on September 12, 2023 and are non-interest bearing, unless the convertible notes are redeemed or repaid upon the occurrence of events of default or relevant events as defined in the agreement whereby an interest of 5% per annum would be charged.

For both the convertible debt and conversion option which are recognized as financial liabilities, we have elected the fair value option under ASC 825-10 to measure the entire instrument at fair value with realized or unrealized gains and losses recorded in the consolidated statements of comprehensive loss. Also, ASC 825-10-25-11 requires financial instrument that is legally a single contract not to be separated into parts for purposes of applying the fair value option.

The fair value of the convertible notes was determined using a Monte Carlo simulation with the key assumptions being volatility of 44.32% and risk-free interest rate of 2.52%. The volatility was based on the implied historical volatility of certain comparable companies. The risk-free interest rate is equal to the yield, as of the measurement date, of the zero-coupon U.S. Treasury bill that is commensurate with the remaining period until the maturity of the convertible notes.

Gross Billing

We regularly review a number of financial and operating metrics, including those set forth below, to help us evaluate our business, measure our performance, identify trends affecting our business, establish budgets, measure the effectiveness of sales and marketing, and assess our operational efficiencies.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of gross billing ⁽¹⁾)	(US\$ in thousands)	(% of gross billing ⁽¹⁾)	(US\$ in thousands)	(% of gross billing ⁽¹⁾)
Operating metrics:						
Gross billing	236,253	100	248,279	100	399,749	100
Gross billing from mobile marketing solutions	112,403	47.6	172,194	69.4	328,702	82.2
Gross billing from other marketing solutions	123,850	52.4	76,085	30.6	71,047	17.8

(1) With respect to net revenues from mobile marketing solutions and net revenues from other marketing solutions, % of gross billing refers to the % of gross billing for mobile marketing solutions or % of gross billing for other marketing solutions, as the case may be.

Gross billing is an important operating measure by which we evaluate and manage our business. We define gross billing as the aggregate dollar amount that our clients pay us, after deducting rebates paid and discounts given to clients.

We use gross billing to assess our business growth, market share and scale of operations, and our ability to generate gross billing is strongly correlated to our ability to generate net revenues. As we have defined gross billing for internal uses, it may not be comparable to similarly titled measures used by other companies in the industry which present the impact of media costs differently.

Gross billing derived from our sales agency arrangement was US\$42.8 million, US\$37.8 million and US\$39.9 million in 2016, 2017 and 2018, respectively, none of which was recognized as net revenues for the respective periods.

Gross billing derived from our cost-plus marketing campaigns was US\$121.4 million, US\$104.3 million and US\$220.7 million in 2016, 2017 and 2018, respectively, out of which US\$15.4 million, US\$10.8 million and US\$12.2 million was recognized as net revenues for the respective periods.

Gross billing derived from our specified action marketing campaigns was US\$72.1 million, US\$106.2 million and US\$139.2 million in 2016, 2017 and 2018, respectively, all of which was recognized as net revenues for the respective periods.

Gross billing from our mobile marketing solutions increased, both in absolute amount and as a percentage of total gross billing, from 2016 to 2017 and further to 2018 as we prioritized the execution of our mobile strategy to capture a larger share of online marketing spend on mobile apps, and as our clients were generating larger mobile marketing spend. Gross billing from our other marketing solutions decreased from 2016 to 2017 and further to 2018 as we optimized the client base for other marketing solutions to focus on profitability and liquidity, and continued shift in our strategic focus to mobile marketing solutions. For example, we terminated relationship with certain clients for our other marketing solutions, as they had relatively long account receivable cycles and yielded relatively low operating profit margins. Some of these clients were large marketers and had individually accounted for more than 5% of our annual gross billing historically.

Our gross billing per client increased by US\$52,885, or 53.2%, from US\$99,433 in 2016 to US\$152,318 in 2017, while the total number of our clients decreased by 31.4% from 2,376 in 2016 to 1,630 in 2017. Our gross billing per client increased by US\$127,422, or 83.7%, from US\$152,318 in 2017 to US\$279,740 in 2018, while the total number of our clients decreased by 12.3% from 1,630 in 2017 to 1,429 in 2018. This was due to our efforts in optimizing our client base.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period and the period-to-period comparisons discussed below may not be meaningful and are not indicative of our future trends.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
Net revenues	95,357	100.0	125,258	100.0	160,017	100.0
Cost of revenues	(61,048)	(64.0)	(95,733)	(76.4)	(120,897)	(75.6)
Gross profit	34,309	36.0	29,525	23.6	39,120	24.4
Operating expenses						
Research and development expenses	(8,584)	(9.0)	(5,778)	(4.6)	(10,737)	(6.7)
Sales and marketing expenses	(28,266)	(29.6)	(25,935)	(20.7)	(32,080)	(20.0)
General and administrative expenses	(26,767)	(28.1)	(12,983)	(10.4)	(23,757)	(14.9)
Total operating expenses	(63,617)	(66.7)	(44,696)	(35.7)	(66,574)	(41.6)
Operating loss	(29,308)	(30.7)	(15,171)	(12.1)	(27,454)	(17.2)
Interest income	—	—	—	—	421	0.3
Interest expense	(713)	(0.7)	(551)	(0.4)	(773)	(0.5)
Other (losses)/gains, net	(1,082)	(1.1)	1,841	1.4	687	0.4
Fair value loss on convertible notes	—	—	—	—	(4,837)	(3.0)
Fair value gain/(loss) on derivative liabilities	3,995	4.2	(10,190)	(8.1)	—	—
Loss before income tax expense	(27,108)	(28.3)	(24,071)	(19.2)	(31,956)	(20.0)
Income tax expense	(222)	(0.2)	(548)	(0.5)	(655)	(0.4)
Net loss	(27,330)	(28.5)	(24,619)	(19.7)	(32,611)	(20.4)

Key Components of Results of Operations

Net Revenues

We generate revenue primarily from clients' marketing spend through our platform as they utilize our solutions in cost-plus and specified action marketing campaigns, and to a less extent from incentives granted by the publisher under our sales agency arrangement. We derive revenue from three sources and report them on either the net or gross basis. (i) Revenue from incentives earned from the website publisher for which we act as sales agent for its content distribution opportunities, or the sales agency arrangement; and (ii) revenue from performing cost-plus marketing campaigns are reported on the net basis; and (iii) revenue from performing specified actions marketing campaigns (i.e., a CPM, CPC, CPA, CPS, CPL or ROI basis) is reported on the gross basis.

We record incentives from the publisher under the sales agency arrangement as net revenues. We consider the publisher to be our customer under the sales agency arrangement. The amount of such incentives is determined based on a variety of factors, including yearly market spending at the publisher's platforms. Under our sales agency arrangement, we do not receive any rebate from the publisher. Net revenues from our sales agency arrangement, which equal the incentives received from the publisher under the sales agency arrangement were US\$7.9 million, US\$8.3 million and US\$8.7 million in 2016, 2017 and 2018, respectively.

We record service fees, net of media costs and rebates and discounts to clients for cost-plus marketing campaigns, as net revenues. We consider these clients to be our customers for cost-plus marketing campaigns. Service fees are generally calculated as a percentage of media cost. Such percentage is negotiated on a client-by-client, and campaign-by-campaign basis. Rebates received from the publishers for cost-plus marketing campaigns are recorded as net revenues. Net revenues from our cost-plus marketing campaigns were US\$15.4 million, US\$10.8 million and US\$12.2 million in 2016, 2017 and 2018, respectively.

We record the aggregate gross dollar amount that our clients spend through our platform for specified action marketing campaigns, which includes media cost, as net revenues. We consider these clients to be our customers for specified action marketing campaigns. We charge our clients for specified actions, such as when a user clicks on their marketing messages, or a CPC pricing model, or when their marketing messages are displayed, or a CPM pricing model. Rebates received from publishers for specified action marketing campaigns are recorded as deduction of cost of revenues. Net revenues from our specified action marketing campaigns were US\$72.1 million, US\$106.2 million and US\$139.2 million in 2016, 2017 and 2018, respectively.

We grant rebates and discounts to marketers and marketing agencies to incentivize and encourage them to use our solutions. These rebates and discounts are calculated based on certain factors, including yearly market spending of the marketers and marketing agencies that we reasonably estimate that they are able to achieve based on the historical spending patterns of similar clients on our platform. The rebates and discounts we grant are settled when the relevant account receivables from the marketers and marketing agencies are settled, and the timing of settlement is independent of the settlement of the rebates or incentives, as the case may be, from the publishers, which is generally three to six months after the end of the relevant period to which such rebates or incentives, as the case may be, relate. Rebates we grant under our sales agency arrangement were recorded as cost of revenues before January 1, 2018 as we consider these rebates were identifiable and separable from the incentive revenue generated from the publisher under ASC 605, and after January 1, 2018, as reduction of revenue, as we adopted ASC 606 "Revenue from Contracts with Customers" using the modified retrospective method. In all other circumstances, rebates and discounts we grant are recorded as reduction of revenue.

The table below shows our net revenues breakdown for our mobile marketing solutions and other marketing solutions for the periods presented.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
Net revenues from mobile marketing solutions	57,761	60.6	101,426	81.0	140,428	87.8
Net revenues from other marketing solutions	37,596	39.4	23,832	19.0	19,589	12.2
Total net revenues	95,357	100.0	125,258	100.0	160,017	100.0

The table below shows our rebates received from publishers under cost-plus marketing campaigns, which were recognized as net revenues for our mobile marketing solutions and other marketing solutions for the periods presented.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
Rebates received from publishers	14,181	14.8	15,130	12.1	36,495	22.8
Rebates received from publishers for mobile marketing solutions	7,940	8.3	12,989	10.4	33,243	20.8
Rebates received from publishers for other marketing solutions ⁽¹⁾	6,241	6.5	2,141	1.7	3,252	2.0

(1) of which US\$974 thousand, US\$553 thousand, and US\$74 thousand in 2016, 2017 and 2018 were received under cost-plus marketing campaigns from the publisher for which we acted as its sales agent under our sales agency arrangement.

The table below shows our incentive revenues received from the publisher under our sales agency arrangement, which were recognized as net revenues for our mobile marketing solutions and other marketing solutions for the periods presented.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
Incentive revenues received from the publisher	7,924	8.3	8,311	6.6	11,325	7.1
Incentive revenues received from the publisher for our mobile marketing solutions	—	—	—	—	—	—
Incentive revenues received from the publisher for our other marketing solutions ⁽¹⁾	7,924	8.3	8,311	6.6	11,325	7.1

(1) Exclude rebates in the amount of US\$974 thousand, US\$553 thousand and US\$74 thousand in 2016, 2017 and 2018 received under cost-plus marketing campaigns from the publisher for which we acted as its sales agent under our sales agency arrangement.

The table below shows the rebates and discounts we granted to marketers and marketing agencies under our cost-plus and specified action marketing campaigns for our mobile marketing solutions and other marketing solutions, which were recognized as reduction of revenue for the periods presented.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
Rebates and discounts we granted	(17,021)	(17.8)	(24,321)	(19.4)	(46,496)	(29.1)
Rebates and discounts we granted for mobile marketing solutions ⁽¹⁾	(10,675)	(11.2)	(22,427)	(17.9)	(43,943)	(27.5)
Rebates and discounts we granted for other marketing solutions ⁽²⁾	(6,346)	(6.6)	(1,894)	(1.5)	(2,553)	(1.6)

(1) Of which US\$(6,347) thousand, US\$(12,981) thousand and US\$(15,514) thousand were in connection with our specified action (i.e., gross) marketing campaigns, and US\$(4,328) thousand, US\$(9,446) thousand, and US\$(28,429) thousand were in connection with our cost-plus (i.e., net) marketing campaigns in 2016, 2017 and 2018, respectively.

(2) Of which US\$(2,047) thousand, US\$(783) thousand and US\$(371) thousand were in connection with our specified action (i.e., gross) marketing campaigns, and US\$(4,299) thousand, US\$(1,111) thousand, and US\$(2,182) thousand were in connection with our cost-plus (i.e., net) marketing campaigns in 2016, 2017 and 2018, respectively.

On January 1, 2018, we adopted ASC 606 “Revenue from Contracts with Customers” using the modified retrospective method. Since the adoption of ASC 606, rebates we grant under our sales agency arrangements are presented net of revenues, as opposed to being included in cost of revenues in prior periods. The table below shows our rebates granted under our sales agency arrangement.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
Rebates we granted under the sales agency arrangement						
- Recorded as cost of revenues under ASC 605	(2,568)	(2.7)	(2,236)	(1.8)	N/A	N/A
- Recorded as a reduction of revenue under ASC 606	N/A	N/A	N/A	N/A	(2,654)	(1.7)

We have a diverse client base in terms of the geographic location of our clients’ or marketers’ headquarters as we help them, especially multinational marketers, navigate through the fragmented online marketing landscapes in China to identify and reach their potential audience. In determining the geographic classification of our revenue, we look at the geographic location of our subsidiary or VIE which executed the marketing campaign contract. Our subsidiaries or VIE in China generally are our signing entities for marketing campaign contracts with clients which are based in China. Our Singapore subsidiary generally is our signing entity for marketing campaign contracts with clients based in Southeast Asia. Our Hong Kong subsidiaries generally are our signing entities for the other clients. In 2016, 2017 and 2018, we derived 25.3%, 15.9% and 11.3% of our net revenues from outside China, respectively. Our net revenues from clients in China increased significantly from 2016 to 2017 and further to 2018 as a result of the business expansion in OptAim, which used its consolidated subsidiaries in China to execute marketing campaign contracts, and as we continued to prioritize the execution of our mobile strategy. Clients for our mobile marketing solutions are primarily based in China. Our net revenues from clients outside China decreased from 2016 to 2017 and further to 2018 as we continued to optimize the client base for other marketing solutions to focus on profitability and liquidity, and our strategic shift away from other marketing solutions. Clients outside of China primarily use our other marketing solutions. The table below shows our net revenues breakdown by geographic region for the periods presented.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
PRC	71,214	74.7	105,380	84.1	141,926	88.7
Hong Kong	22,766	23.9	18,287	14.6	17,004	10.6
Others	1,377	1.4	1,591	1.3	1,087	0.7
Total net revenues	95,357	100	125,258	100	160,017	100

Cost of Revenues; Gross Profit Margin

Cost of revenues primarily consists of:

- *Media cost in connection with specified-action marketing campaigns.* Media cost refers to cost we pay to publishers for acquisition of content distribution opportunities, which is partially offset by rebates we receive from publishers in specified-action marketing campaigns. Media cost represented 88.2%, 93.0%, and 96.1% of our cost of revenues in 2016, 2017 and 2018, respectively.
- *Rebates we grant under our sales agency arrangement (prior to January 1, 2018).* Rebates we grant under our sales agency arrangement were recognized as cost of revenues in 2016 and 2017, represented 4.2% and 2.3% of our cost of revenues in 2016 and 2017, respectively. The decrease from 2016 to 2017 was mainly due to a decrease in gross billing under our sales agency arrangement from US\$56.8 million in 2016 to US\$52.1 million in 2017, and the decrease in rebate rates for rebates we granted under our sales agency arrangement as a result of our increased bargaining power as we solidified our market position as the largest independent online marketing technology and data platform in China in terms of gross billing.

The table below shows the rebates we granted to marketers and marketing agencies under our sales agency arrangement for our mobile marketing solutions and other marketing solutions for the periods presented as recognized in cost of revenues.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of cost of revenues)	(US\$ in thousands)	(% of cost of revenues)	(US\$ in thousands)	(% of cost of revenues) ⁽¹⁾
Rebates we granted under the sales agency arrangement ⁽¹⁾	(2,568)	(4.2)	(2,236)	(2.3)	N/A	N/A
Rebates we granted for mobile marketing solutions	—	—	—	—	—	—
Rebates we granted for other marketing solutions ⁽¹⁾	(2,568)	(4.2)	(2,236)	(2.3)	N/A	N/A

(1) On January 1, 2018, we adopted ASC 606 “Revenue from Contracts with Customers” using the modified retrospective method. Since the adoption of ASC 606, rebates we grant under our sales agency arrangements are presented net of revenues, as opposed to being included as in cost of revenues in prior periods.

The table below shows our rebates received from website publishers under specified action marketing campaigns, which were recognized as deduction of cost of revenues for our mobile marketing solutions and other marketing solutions for the periods presented.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
Rebates received from publishers	6,037	6.3	16,323	13.0	19,298	12.1
Rebates received from publishers for mobile marketing solutions	5,875	6.2	16,279	13.0	19,085	12.0
Rebates received from publishers for other marketing solutions	162	0.1	44	0.0	213	0.1

- *Amortization of expenses.* This relates to amortization of computer software acquired in the acquisitions of Buzzinate and OptAim, which represented 6.8%, 4.3%, and 3.4% of our cost of revenues in 2016, 2017 and 2018, respectively.

The table below shows the cost of revenues, gross profit and gross profit margin for our mobile marketing solutions for the periods presented. Gross profit margin for our mobile marketing solutions represents gross profit as a percentage of net revenues for mobile marketing solutions.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues for mobile marketing solutions)	(US\$ in thousands)	(% of net revenues for mobile marketing solutions)	(US\$ in thousands)	(% of net revenues for mobile marketing solutions)
Cost of revenues for mobile marketing solutions	48,212	83.5	90,899	89.6	119,953	85.4
Gross profit for mobile marketing solutions	9,549	16.5	10,527	10.4	20,475	14.6

The table below shows the cost of revenues, gross profit and gross profit margin for our other marketing solutions for the periods presented. Gross profit margin for our other marketing solutions represents gross profit as a percentage of net revenues for other marketing solutions.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues for other marketing solutions)	(US\$ in thousands)	(% of net revenues for other marketing solutions)	(US\$ in thousands)	(% of net revenues for other marketing solutions)
Cost of revenues for other marketing solutions	12,836	34.1	4,834	20.3	943	4.8
Gross profit for other marketing solutions	24,760	65.9	18,998	79.7	18,646	95.2

Due to competitive landscape and pricing pressure as mobile marketing solutions are relatively nascent compared to other marketing solutions, with companies competing for more market share as they enter into this market and as mobile apps publishers tend to have stronger bargaining power compared to other online publishers as a result of the growing popularity of mobile apps, mobile marketing solutions tend to command a lower gross profit margin compared to non-mobile marketing solutions. In addition, a larger percentage of gross billing from mobile marketing solutions was recognized as net revenues on a gross basis in 2017 and in 2018, which was 57.2% and 41.0% respectively, compared to that for our other marketing solutions in the same period, which was 10.1% and 6.1%, respectively. As a result, gross profit margins for our mobile marketing solutions in 2016, 2017 and 2018, which were 16.5%, 10.4%, and 14.6%, respectively, were significantly lower than those for our other marketing solutions, which were 65.9%, 79.7%, and 95.2%, respectively, for the same periods.

The table below shows the cost of revenues, gross profit and gross profit margin for our sales agency arrangement for the periods presented. Cost of revenues for sales agency arrangement primarily consists of rebates we granted to marketer and marketing agency clients under the sales agency arrangement prior to January 1, 2018 when we adopted ASC 605, and other taxes. Gross profit margin for sales agency arrangement represents gross profit as a percentage of net revenues derived from sales agency arrangement.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues for sales agency management)	(US\$ in thousands)	(% of net revenues for sales agency management)	(US\$ in thousands)	(% of net revenues for sales agency management)
Cost of revenues for sales agency arrangement	2,568	32.4	2,236	26.9	32	0.4
Gross profit for sales agency arrangement	5,356	67.6	6,075	73.1	8,639	99.6

The table below shows the cost of revenues, gross profit and gross profit margin for cost-plus marketing campaigns for the periods presented. Cost of revenues for cost-plus marketing campaigns primarily consists of salaries and benefits of the relevant operations and support personnel and depreciation of relevant property and equipment depreciation. Gross profit margin for cost-plus marketing campaigns represents gross profit as a percentage of net revenues derived from cost-plus marketing campaigns.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues for cost-plus marketing campaigns)	(US\$ in thousands)	(% of net revenues for cost-plus marketing campaigns)	(US\$ in thousands)	(% of net revenues for cost-plus marketing campaigns)
Cost of revenues for cost-plus marketing campaigns	2,664	17.3	1,847	17.1	2,892	23.7
Gross profit for cost-plus marketing campaigns	12,714	82.7	8,941	82.9	9,300	76.3

The table below shows the cost of revenues, gross profit and gross profit margin for specified action marketing campaigns for the periods presented. Cost of revenues for specified action marketing campaigns primarily consists of media cost, as deducted by rebates received from publishers. Gross profit margin for specified action marketing campaigns represents gross profit as a percentage of net revenues derived from specified action marketing campaigns.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues for specified action marketing campaigns)	(US\$ in thousands)	(% of net revenues for specified action marketing campaigns)	(US\$ in thousands)	(% of net revenues for specified action marketing campaigns)
Cost of revenues for specified action marketing campaigns	55,816	77.5	91,650	86.3	117,973	84.8
Gross profit for specified action marketing campaigns	16,239	22.5	14,509	13.7	21,181	15.2

Operating Expenses

We classify our operating expenses into three categories: research and development expenses, sales and marketing expenses and general and administrative expenses. The following table sets forth our operating expenses, both in absolute amount and as a percentage of our net revenues, for the periods presented.

	Year Ended December 31,					
	2016		2017		2018	
	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)	(US\$ in thousands)	(% of net revenues)
Operating expenses	(63,617)	(66.7)	(44,696)	(35.7)	(66,574)	(41.6)
Research and development expenses	(8,584)	(9.0)	(5,778)	(4.6)	(10,737)	(6.7)
Sales and marketing expenses	(28,266)	(29.6)	(25,935)	(20.7)	(32,080)	(20.0)
General and administrative expenses	(26,767)	(28.1)	(12,983)	(10.4)	(23,757)	(14.9)

- *Sales and marketing expenses.* Sales and marketing expenses consist primarily of (i) advertising and marketing expenses, and (ii) salary and welfare for sales and marketing personnel.
- *General and administrative expenses.* General and administrative expenses consist primarily of (i) salary and welfare for general and administrative personnel, and (ii) professional service fees. Professional service fees primarily related to legal and audit service in connection with our private placements and acquisitions, preparation for our initial public offering and issuance of convertible notes. We expect to continue to invest in our corporate infrastructure and incur expenses related to being a public company, including increased accounting and legal fees, investor relations costs and compliance costs. As a result, we anticipate that general and administrative expenses will continue to increase in future periods.
- *Research and development expenses.* Research and development expenses consist primarily of (i) salary and welfare for research and development personnel, (ii) rental expenses and (iii) depreciation of office premise and servers utilized by research and development personnel.

Taxation

The Cayman Islands

We and our subsidiary incorporated in the Cayman Islands are not subject to income, corporation or capital gains tax, estate duty, inheritance tax or gift tax. In addition, payment of dividends to our shareholders or the shareholder of our subsidiary in the Cayman Islands are not subject to withholding tax in the Cayman Islands.

The British Virgin Islands

Our subsidiaries incorporated in the British Virgin Islands are not subject to income or capital gains taxes, estate duty, inheritance tax or gift tax. In addition, payment of dividends to the shareholders of our subsidiaries in British Virgin Islands are not subject to withholding tax in the British Virgin Islands.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong under the current Hong Kong Inland Revenue Ordinance. Under the Hong Kong tax laws, we are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiary to us are not subject to any Hong Kong withholding tax.

PRC

Generally, our PRC subsidiaries, our consolidated VIE and its subsidiary, 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%.

We are subject to value added tax, or VAT, at a rate of 6% on the services we provide, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law. VAT has been phased in since August 2013 to replace the business tax that was previously applicable to the services we provide. During the periods presented, we were not subject to business tax on the services we provide.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company 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 the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and receives approval from the relevant tax authority. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China — We rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net Revenues

Our net revenues increased by US\$34.7 million, or 27.7%, from US\$125.3 million in 2017 to US\$160.0 million in 2018, primarily as a result of an increase in our net revenues from our mobile marketing solutions, and partially offset by the effect of adoption of ASC 606 “Revenue from Contracts with Customers” using the modified retrospective method on January 1, 2018. As a result of the adoption of ASC 606, rebates we grant under our sales agency arrangements are presented net of revenues, as opposed to being included as in cost of revenues in prior periods, and resulted in a two percentage point decrease in net revenues when compared with 2017.

Net revenues from our mobile marketing solutions increased by US\$39.0 million, or 38.5% from US\$101.4 million in 2017 to US\$140.4 million in 2018 as a result of a stronger market demand for our mobile marketing solutions. US\$98.5 million, or 57.2%, of gross billing from mobile marketing solutions was recognized as net revenues on a gross basis in 2017, compared to US\$134.8 million, or 41.0%, in 2018. Rebates received from publishers and recognized as net revenues increased by US\$20.2 million, or 155.9%, from US\$13.0 million in 2017 to US\$33.2 million in 2018 for our mobile marketing solutions because of the growth in gross billing from mobile marketing solutions. We did not receive any incentives from the publisher under our sales agency arrangement in 2017 and 2018 for our mobile marketing solutions. Rebates and discounts granted to our clients and recognized as reduction of revenue increased by US\$21.5 million, or 95.9% from US\$22.4 million in 2017 to US\$43.9 million in 2018 for our mobile marketing solutions as gross billing from mobile marketing solutions increased and also as a result of our adoption of ASC 606.

Net revenues from our other marketing solutions decreased by US\$4.2 million or 17.8% from US\$23.8 million in 2017 to US\$19.6 million in 2018 primarily as a result of our strategic focus on our mobile marketing solutions compared with other marketing solutions. US\$7.7 million, or 10.1%, of gross billing from other marketing solutions was recognized as net revenues on a gross basis in 2017, compared to US\$4.3 million, or 6.1%, in 2018. Rebates received from publishers and recognized as net revenues increased by US\$1.2 million or 51.9% from US\$2.1 million in 2017 to US\$3.3 million in 2018 for our other marketing solutions as gross billing from other marketing solutions that were conducted on a cost-plus basis decreased. Incentives received from the publisher under our sales agency arrangement, which were recognized as net revenues increased by US\$3.0 million, or 36.3% from US\$8.3 million in 2017 to US\$11.3 million in 2018 for our other marketing solutions due to promotions received from the publisher. Rebates granted to our clients and recognized as reduction of revenue increased by US\$0.7 million, or 34.8% from US\$1.9 million in 2017 to US\$5.2 million in 2018 for our other marketing solutions as we benefited our clients after getting higher promotion rates from the publishers and also as a result of our adoption of ASC 606.

Cost of Revenues, Gross Profit and Gross Profit Margin

	Year Ended December 31,	
	2017	2018
	(US\$ in thousands, except %)	
Cost of revenues	(95,733)	(120,897)
Gross profit	29,525	39,120
Gross profit margin	23.6%	24.4%

Our cost of revenues increased by US\$25.2 million, or 26.3%, from US\$95.7 million in 2017 to US\$120.9 million in 2018, primarily as a result of an increase in media cost, which increased by US\$27.2 million, or 30.6%, from US\$89.0 million in 2017 to US\$116.2 million in 2018 as a result of our sales growth during the year. 34.8% of our gross billing in 2018 was recognized as net revenues on a gross basis, compared to 42.8% in 2017. Cost of revenues for our mobile marketing solutions increased by US\$29.1 million, or 32.0%, from US\$90.9 million to US\$120.0 million, while cost of revenues for our other marketing solutions decreased by US\$3.9 million, or 80.5%, from US\$4.8 million to US\$0.9 million.

The increase in cost of revenues for our mobile marketing solutions was in line with the growth of gross billing from mobile marketing solutions. US\$134.8 million, or 41.0%, of gross billing from mobile marketing solutions was recognized as net revenues on a gross basis in 2018, compared to US\$98.5 million, or 57.2%, in 2017. No rebate or discount we granted was recognized as cost of revenues for our mobile marketing solutions in 2017 or 2018 as they were recorded as a reduction of revenue. Rebates received from website publishers recognized as deduction of cost of revenues increased by US\$2.8 million, or 17.2% from US\$16.3 million in 2017 to US\$19.1 million in 2018 for our mobile marketing solutions as gross billing from mobile marketing solutions increased.

The decrease in cost of revenues from our other marketing solutions was in line with the decrease of gross billing from other marketing solutions as a result of our continued client base optimization. In addition, on January 1, 2018, we adopted ASC 606 “Revenue from Contracts with Customers” using the modified retrospective method. As a result of the adoption, rebates we granted to marketers and marketing agencies under our sales agency arrangement was recorded as reduction of revenue, as opposed to being included in cost of revenues as in 2017, which also contributed to the decrease in cost of revenues for other marketing solutions, as sales agency arrangement only applies to other marketing solutions in 2018.

As a result of the above, our gross profit increased from US\$29.5 million in 2017 to US\$39.1 million in 2018. Specifically, gross profit for our mobile marketing solutions increased by US\$10.0 million, or 94.5%, from US\$10.5 million in 2017 to US\$20.5 million in 2018, partially offset by a decrease in our gross profit for our other marketing solutions of US\$0.4 million, or 1.9% from US\$19.0 million in 2017 to US\$18.6 million in 2018. Our gross profit margin increased from 23.6% in 2017 to 24.4% in 2018 primarily due to our continued client base optimization to focus on profitability and liquidity and the effect of adoption of ASC 606 after January 1, 2018, pursuant to which rebates we granted to marketers and marketing agencies under our sales agency arrangement was recorded as reduction of revenue, as opposed to being included in cost of revenues as in 2017. Gross profit margin for our mobile marketing solutions increased from 10.4% in 2017 to 14.6% in 2018. Gross profit margin for our other marketing solutions increased from 79.7% in 2017 to 95.2% in 2018.

Due to competitive landscape and pricing pressure as mobile marketing solutions are relatively nascent compared to other marketing solutions, with companies competing for more market share as they enter into this market and as mobile apps publishers tend to have stronger bargaining power compared to other online publishers as a result of the growing popularity of mobile apps, mobile marketing solutions tend to command a lower gross profit margin compared to non-mobile marketing solutions. Furthermore, as we continue to focus on the growth of our mobile marketing solutions, we may, from time to time, prioritize on engaging with marketing agency clients, which may generate larger marketing spend per client compared to direct marketer clients. On the other hand, net revenues as a percentage of gross billing and gross profit margin tend to be lower for marketing agency clients, compared to direct marketer clients. Marketing agency clients represented 27.7% and 28.1% of our clients in 2017 and 2018, respectively. In addition, consistent with the general industry trends for online marketing on mobile channels and on non-mobile channels, a larger percentage of gross billing from our mobile marketing solutions was recognized as net revenues on a gross basis in 2018, which was 41.0%, compared to that for our other marketing solutions in the same period, which was 6.1%. As a result, gross profit margins for our mobile marketing solutions in 2017 and 2018 were significantly lower than those for our other marketing solutions for the same periods.

Operating Expenses

Our operating expenses increased by US\$21.9 million, or 48.9%, during 2018 compared to 2017, primarily due to share based compensation expenses, which increased by US\$14.3 million to US\$19.3 million in the full year 2018 from US\$5.0 million in the full year 2017. In addition, we incurred convertible notes issuance cost and professional fees in relation to acquisitions of US\$2.2 million and US\$1.7 million respectively. The operating expenses as a percentage of net revenues increased from 35.7% in 2017 to 41.6% in 2018.

- *Sales and marketing expenses.* Our sales and marketing expenses increased by US\$6.2 million, or 23.7%, from US\$25.9 million in 2017 to US\$32.1 million in 2018. The increase was primarily due to an increase in share-based compensation expenses and staff cost. Sales and marketing expenses as a percentage of net revenues decreased from 20.7% in 2017 to 20.0% in 2018.
- *General and administrative expenses.* Our general and administrative expenses increased by US\$10.8 million, or 83.0%, from US\$13.0 million in 2017 to US\$23.8 million in 2018, primarily due to increase in share-based compensation expenses, convertible notes issuance cost and professional fees in relation to acquisitions. General and administrative expenses as a percentage of net revenues increased from 10.4% in 2017 to 14.8% in 2018.
- *Research and development expenses.* Our research and development expenses increased by US\$4.9 million, or 85.8%, from US\$5.8 million in 2017 to US\$10.7 million in 2018, primarily due to an increase in share-based compensation expenses for research and development personnel. As a result, research and development expenses as a percentage of our net revenues increased from 4.6% in 2017 to 6.7% in 2018.

Interest Income

Our interest income was nil and US\$0.4 million in 2017 and 2018, respectively.

Interest Expense

Our interest expense was US\$0.6 million and US\$0.8 million in 2017 and 2018, respectively.

Other Gains, Net

Our other gains, net was US\$1.8 million in 2017, compared to other gains, net of US\$0.7 million in 2018. The change was primarily because of a net exchange loss by US\$0.9 million in 2018, compared to US\$1.8 million gain in 2017, mainly due to the depreciation of Renminbi against the US dollars.

Fair Value Loss on Convertible Notes

Our fair value loss on convertible notes was US\$4.8 million in 2018 for the US\$30.0 million convertible notes issued in September 2018, impacted by volatility of stock price and discount on conversion price.

Fair Value Loss on Derivative Liabilities

Our fair value loss on derivative liabilities was US\$10.2 million in 2017, compared to nil amount in 2018, since the preferred shares were converted into ordinary shares after the closing of initial public offering in December 2017.

Income Tax Expense

We recorded an income tax expenses of US\$0.5 million and US\$0.7 million in 2017 and 2018 respectively.

Net Loss

As a result of the foregoing, our net loss increased by 32.5% from US\$24.6 million in 2017 to US\$32.6 million in 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net Revenues

Our net revenues increased by US\$29.9 million, or 31.4%, from US\$95.4 million in 2016 to US\$125.3 million in 2017, primarily as a result of an increase in our net revenues from our mobile marketing solutions and partially offset by a decrease in our net revenues from our other marketing solutions.

Net revenues from our mobile marketing solutions increased by US\$43.6 million, or 75.6% from US\$57.8 million in 2016 to US\$101.4 million in 2017 as a result of our strategic focus shifting to capture more market demand in mobile marketing solutions, with an increase in gross billing from mobile marketing solutions and a larger percentage of our gross billing from mobile marketing solutions being recognized as net revenues on a gross basis in 2017 compared to 2016. US\$54.2 million, or 48.2%, of gross billing from mobile marketing solutions was recognized as net revenues on a gross basis in 2016, compared to US\$98.5 million, or 57.2%, in 2017. Rebates received from publishers and recognized as net revenues increased by US\$5.1 million or 63.6% from US\$7.9 million in 2016 to US\$13.0 million in 2017 for our mobile marketing solutions as gross billing from mobile marketing solutions that was recognized on a net basis decreased. We did not receive any incentives from the publisher under our sales agency arrangement in 2016 and 2017 for our mobile marketing solutions. Rebates and discounts granted to our clients and recognized as deduction of revenues increased by US\$11.7 million, or 110.1% from US\$10.7 million in 2016 to US\$22.4 million in 2017 for our mobile marketing solutions as gross billing from mobile marketing solutions increased.

Net revenues from our other marketing solutions decreased by US\$13.8 million or 36.6% from US\$37.6 million in 2016 to US\$23.8 million in 2017 primarily as a result of our strategic shift away from other marketing solutions, with a decrease in gross billing from other marketing solutions and smaller percentage of our gross billing from other marketing solutions being recognized as net revenues on a gross basis. US\$17.9 million, or 14.4%, of gross billing from other marketing solutions was recognized as net revenues on a gross basis in 2016, compared to US\$7.7 million, or 10.1%, in 2017. Rebates received from publishers and recognized as net revenues decreased by US\$5.2 million or 71.2% from US\$7.3 million in 2016 to US\$2.1 million in 2017 for our other marketing solutions as gross billing from other marketing solutions that were conducted on a cost-plus basis decreased. Incentives received from the publisher under our sales agency arrangement, which were recognized as net revenues increased by US\$0.4 million, or 4.9% from US\$7.9 million in 2016 to US\$8.3 million in 2017 for our other marketing solutions due to promotions received from the publisher. Rebates granted to our clients and recognized as deduction of revenues decreased by US\$5.6 million, or 74.7% from US\$7.5 million in 2016 to US\$1.9 million in 2017 for our other marketing solutions as gross billing from other marketing solutions decreased.

Cost of Revenues, Gross Profit and Gross Profit Margin

	Year Ended December 31,	
	2016	2017
	(US\$ in thousands, except %)	
Cost of revenues	(61,048)	(95,733)
Gross profit	34,309	29,525
Gross profit margin	36.0%	23.6%

Our cost of revenues increased by US\$34.7 million, or 56.8%, from US\$61.0 million in 2016 to US\$95.7 million in 2017, primarily as a result of an increase in media cost, which increased by US\$35.1 million, or 65.1%, from US\$53.9 million in 2016 to US\$89.0 million in 2017 as a result of a larger percentage of gross billing being recognized as net revenues on a gross basis. 42.8% of our gross billing in 2017 was recognized as net revenues on a gross basis, compared to 30.4% in 2016. Cost of revenues for our mobile marketing solutions increased by US\$42.7 million, or 88.6%, from US\$48.2 million to US\$90.9 million, while cost of revenues for our other marketing solutions decreased by US\$8.0 million, or 62.5%, from US\$12.8 million to US\$4.8 million.

The increase in cost of revenues for our mobile marketing solutions was in line with the growth of gross billing from mobile marketing solutions and also due to an increased percentage of gross billing from mobile marketing solutions being recognized as net revenues on a gross basis. US\$98.5 million, or 57.2%, of gross billing from mobile marketing solutions was recognized as net revenues on a gross basis in 2017, compared to US\$54.2 million, or 48.2%, in 2016. No rebate or discount we granted was recognized as cost of revenues for our mobile marketing solutions in 2016 or 2017. Rebates received from website publishers recognized as deduction of cost of revenues increased by US\$10.4 million, or 177.1% from US\$5.9 million in 2016 to US\$16.3 million in 2017 for our mobile marketing solutions as gross billing from mobile marketing solutions that was recognized as net revenues on a gross basis increased.

The decrease in cost of revenues from our other marketing solutions was in line with the decrease of gross billing from other marketing solutions and also due to a decreased percentage of gross billing from other marketing solutions being recognized as net revenues on a gross basis. US\$7.7 million, or 10.1%, of gross billing from other marketing solutions was recognized as net revenues on a gross basis in 2017, compared to US\$17.9 million or 14.4% in 2016. Rebates we granted and recognized as cost of revenues, which related to rebates we granted to marketers and marketing agencies under our sales agency arrangement decreased by US\$0.4 million, or 12.9%, from US\$2.6 million in 2016 to US\$2.2 million in 2017 for other marketing solutions in line with the decrease of gross billing from our sales agency arrangement. Rebates received from website publishers recognized as deduction of cost of revenues decreased by US\$118,000, or 93.2%, from US\$162,000 in 2016 to US\$44,000 in 2017 for our other marketing solutions as gross billing from other marketing solutions that was recognized on a gross basis decreased.

As a result of the above, our gross profit decreased from US\$34.3 million in 2016 to US\$29.5 million in 2017. Specifically, gross profit for our other marketing solutions decreased by US\$5.8 million, or 23.3% from US\$24.8 million in 2016 to US\$19.0 million in 2017, partially offset by the increase in our gross profit for our mobile marketing solutions, which increased by US\$1.0 million, or 10.2%, from US\$9.5 million in 2016 to US\$10.5 million in 2017. Our gross profit margin decreased from 36.0% in 2016 to 23.6% in 2017 primarily due to the expansion in our mobile marketing solutions. Gross profit margin for our mobile marketing solutions decreased from 16.5% in 2016 to 10.4% in 2017 as a result of competitive pressure and a larger percentage of gross billing for our mobile marketing solutions being recognized as net revenues on a gross basis in 2017 compared to 2016. Gross profit margin for our other marketing solutions increased from 65.9% in 2016 to 79.7% in 2017 as we continued to optimize the client base for other marketing solutions to focus on profitability and liquidity and as a result of a smaller percentage of gross billing for our other marketing solutions being recognized as net revenues on a gross basis in 2017 compared to 2016.

Due to competitive landscape and pricing pressure as mobile marketing solutions are relatively nascent compared to other marketing solutions, with companies competing for more market share as they enter into this market and as mobile apps publishers tend to have stronger bargaining power compared to other online publishers as a result of the growing popularity of mobile apps, mobile marketing solutions tend to command a lower gross profit margin compared to non-mobile marketing solutions. Furthermore, as we continue to focus on the growth of our mobile marketing solutions, we may, from time to time, prioritize on engaging with marketing agency clients, which may generate larger marketing spend per client compared to direct marketer clients. On the other hand, net revenues as a percentage of gross billing and gross profit margin tend to be lower for marketing agency clients, compared to direct marketer clients. Marketing agency clients represented 21.8% and 27.7% of our clients in 2016 and 2017, respectively. In addition, consistent with the general industry trends for online marketing on mobile channels and on non-mobile channels, a larger percentage of gross billing from our mobile marketing solutions was recognized as net revenues on a gross basis in 2017, which was 57.2%, compared to that for our other marketing solutions in the same period, which was 10.1%. As a result, gross profit margins for our mobile marketing solutions in 2016 and 2017 were significantly lower than those for our other marketing solutions for the same periods.

Operating Expenses

Our operating expenses decreased by US\$18.9 million, or 29.7%, during 2017 compared to 2016, primarily due to a decrease in staff costs as we continued to benefit from headcount optimization and increasing economies of scale. In addition, share-based compensation expenses decreased by 76.1% to US\$5.1 million in the full year 2017 from US\$21.2 million in the full year 2016. Our operating expenses as a percentage of net revenues decreased from 66.7% in 2016 to 35.7% in 2017.

- *Sales and marketing expenses.* Our sales and marketing expenses decreased by US\$2.4 million, or 8.2%, from US\$28.3 million in 2016 to US\$25.9 million in 2017. The decrease was primarily due to a decrease in staff costs as we continued to optimize the client base for other marketing solutions to focus on profitability and liquidity and as we continued to benefit from the synergies from the integration of complementary sales and marketing capabilities of OptAim, which had been completed by the end of June 30, 2017 and economies of scale. As a result, sales and marketing expenses as a percentage of net revenues also decreased from 29.6% in 2016 to 20.7% in 2017.
- *General and administrative expenses.* Our general and administrative expenses decreased by US\$13.8 million, or 51.5%, from US\$26.8 million in 2016 to US\$13.0 million in 2017, primarily due to a decrease in staff costs as we streamlined our general and administrative functions and reduced the relevant staff headcount as we further integrated OptAim's operations, which had been completed by the end of June 30, 2017. General and administrative expenses as a percentage of net revenues decreased from 28.1% in 2016 to 10.4% in 2017.
- *Research and development expenses.* Our research and development expenses decreased by US\$2.8 million, or 32.7%, from US\$8.6 million in 2016 to US\$5.8 million in 2017, primarily due to a decrease in staff costs, as we continued to benefit from the synergies from the integration of the complementary research and development capabilities of OptAim and economies of scale. As a result, research and development expenses as a percentage of our net revenues decreased from 9.0% in 2016 to 4.6% in 2017.

Interest Expense

Our interest expense was US\$0.7 million and US\$0.6 million in 2016 and 2017, respectively.

Other (Losses)/Gains, Net

Our other losses, net was US\$1.1 million in 2016, compared to other gains, net of US\$1.8 million in 2017. The change was primarily due to a decrease by US\$2.9 million from US\$1.1 million loss in 2016 to US\$1.8 million gain in 2017 in net exchange gain mainly due to the depreciation of Renminbi against the US dollars.

Fair Value Gain/(Loss) on Derivative Liabilities

Our fair value gain on derivative liabilities was US\$4.0 million in 2016, compared to a fair value loss on derivative liabilities of US\$10.2 million in 2017. The fair value gain or loss on derivative liabilities related to our preferred shares, the conversion and redemption features of which are required to be bifurcated and accounted for as derivative liabilities. The fair value gain on derivative liabilities of US\$4.0 million in 2016 was primarily related to our series A, B and E preferred shares. The fair value loss on derivative liabilities of US\$10.2 million in 2017 was primarily due to an increase in our enterprise value as a result of decrease in lack of marketability discount as we are approaching an initial public offering.

Income Tax Expense

We recorded an income tax expenses of US\$0.2 million in 2016 and an income tax expense of US\$0.5 million in 2017. Such change was resulted from fluctuations of composition of loss/profit before tax of our Hong Kong and PRC subsidiaries.

Net Loss

As a result of the foregoing, our net loss decreased by 9.9% from US\$27.3 million in 2016 to US\$24.6 million in 2017.

Impact of Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires that a lessee should recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expenses for such lease generally on a straight-line basis over the lease term. The new leases standard also provides lessees with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component. If a lessee makes that accounting policy election, it is required to account for the non-lease components together with the associated lease component as a single lease component and to provide certain disclosures. Entities were initially required to adopt the new leases standard using a modified retrospective transition method. Under that transition method, an entity initially applies the new leases standard (subject to specific transition requirements and optional practical expedients) at the beginning of the earliest period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, which provides another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with preparers' requests. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public entities. We will adopt this new guidance for the year ending December 31, 2019 and interim periods in the year ending December 31, 2019. Upon transition, we plan to apply the package of practical expedients permitted under Topic 842 transition guidance to the entire lease portfolio at January 1, 2019. As a result, we are not required to reassess (i) whether any expired or existing contracts are or contain leases, (ii) the classification of any expired or existing leases, and (iii) initial direct costs for any existing leases. As a result of the adoption of ASC 842, The Company estimated that approximately US\$2.6 million would be recognized as total right-of-use assets and total lease liabilities, respectively in the consolidated balance sheet as of January 1, 2019. Other than disclosed, the Company does not expect the new standard to have a material impact on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which changes the accounting for recognizing impairments of financial assets. Under ASU 2016-13, credit losses for certain types of financial instruments will be estimated based on expected losses. The new guidance also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. The new guidance will be effective for our company starting in the first quarter of fiscal 2021. Early adoption is permitted starting in the first quarter of fiscal 2020. We are currently assessing the impact this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles — Goodwill and Other (Topic 350): simplifying the test for goodwill impairment”, the guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not the difference between the fair value and carrying amount of goodwill which was the step 2 test before. The ASU should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact of adopting this standard on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)(“ASU 2018-07”). ASU 2018-07 issued final guidance aligning the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. Under the guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date, which may lower their cost and reduce volatility in the income statement. The guidance is effective for public business entities (“PBEs”) in annual periods beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted, but no earlier than an entity’s adoption date of ASC 606. We do not expect ASU 2018-07 to have a material impact to our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”) which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Under the guidance, public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. We do not expect ASU 2018-13 to have a material impact to our consolidated financial statements.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

As of December 31, 2018, we had US\$39.8 million in cash and cash equivalents, short-term investments of US\$17.4 million relating to investment deposit product, and borrowing capacity of US\$9.4 million under our revolving credit facilities of a total principal amount of US\$14.5 million. As of December 31, 2018, our cash and cash equivalents primarily consisted of cash on hand, cash held at bank, and time deposits placed with banks or other financial institutions, which have original maturities of three months or less. As of December 31, 2018, we had violated certain financial covenants with respect to our bank borrowings extended by a bank, however, we have obtained the necessary waiver letters such that the bank would not demand immediate repayment. We believe that our current cash and cash equivalents, short-term investments, together with the borrowing capacity under our revolving credit facilities and the term loan facility will be sufficient to meet our anticipated working capital requirements and capital expenditures for the next 12 months. We may, however, need additional capital in the future to fund our continued operations. If we determine that our cash requirements exceed our available financial resources, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating and financial covenants that might restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

In addition, although we consolidate the results of our consolidated VIE and its subsidiary, we only have access to the assets or earnings of our consolidated VIE and its subsidiary through our contractual arrangements with our consolidated VIE and its shareholders. See “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with OptAim Network.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “— Holding Company Structure.” A substantial amount of our future revenues are likely to be denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE as long as certain routine procedural requirements are fulfilled. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions or change the foreign exchange control policy in the future. In addition, current PRC regulations permit our PRC subsidiary to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Our PRC subsidiary is required to set aside at least 10% of its after-tax profits after making up previous years’ accumulated losses each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, capital account transactions, which include foreign direct investment and loans, must be approved by and/or registered with the SAFE and its local branches. See “Item 3. Key Information—D. Risk Factors — Risks Relating to Doing Business in China — Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.”

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended December 31,		
	2016	2017	2018
	(US\$ in thousands)		
Selected Consolidated Cash Flow Data:			
Net cash used in operating activities	(3,907)	(13,881)	(15,416)
Net cash provided by/(used in) investing activities	524	(25,165)	8,395
Net cash provided by financing activities	24,564	25,546	27,775
Effect on exchange rate changes on cash and cash equivalents and restricted cash	(62)	387	(327)
Net increase/(decrease) in cash and cash equivalents and restricted cash	21,181	(13,500)	20,754
Cash and cash equivalents and restricted cash at the beginning of year	11,395	32,514	19,401
Cash and cash equivalents and restricted cash at the end of year	32,514	19,401	39,828

Operating Activities

Net cash used in operating activities amounted to US\$15.4 million in 2018, which was mainly attributable to a net loss of US\$32.6 million and a net decrease in working capital of US\$13.7 million, partially offset by non-cash items of US\$30.9 million. The net decrease in working capital of US\$13.7 million was primarily attributable to decrease in deferred revenue and accrued liabilities and other current liabilities of US\$5.9 million and US\$5.3 million respectively, and increase in accounts receivable and rebate receivables of US\$25.5 million and US\$2.7 million respectively, partially offset by decrease in prepaid media cost of US\$18.5 million as a result of the change of payment terms with our media vendors and decrease in prepayment and other assets of US\$4.4 million. The non-cash items of US\$30.9 million were primarily attributable to share-based compensation of US\$19.7 million, fair value losses on convertible notes of US\$4.8 million, and amortization of intangible assets of US\$4.2 million.

Net cash used in operating activities amounted to US\$13.9 million in 2017, which was mainly attributable to a net loss of US\$24.6 million and a net decrease in working capital of US\$10.3 million, partially offset by non-cash items of US\$21.0 million. The net decrease in working capital of US\$10.3 million was primarily attributable to a decrease in accounts payable of US\$5.5 million and an increase in accounts receivable and prepaid media costs of US\$9.8 million and US\$2.5 million respectively, partially offset by a decrease in rebate receivables of US\$0.9 million, and an increase in deferred revenue of US\$5.8 million. The non-cash items of US\$21.0 million were primarily attributable to fair value losses on derivative liabilities of US\$10.2 million due to an increase in our enterprise value as a result of a decrease in lack of marketability discount due to our initial public offering, amortization of intangible assets of US\$4.2 million relating to intangible asset and share-based compensation of US\$5.1 million.

Net cash used in operating activities amounted to US\$3.9 million in 2016, which was mainly attributable to a net loss of \$27.3 million, partially offset by a net increase in working capital of US\$1.3 million and non-cash items of US\$22.1 million. The net increase in working capital of US\$1.3 million was primarily attributable to an increase in deferred revenue of US\$10.8 million, and increase in income tax payable of US\$1.9 million and a decrease in rebates receivables of US\$1.4 million, partially offset by an increase in prepaid media cost of US\$9.6 million and an increase in accounts receivable of US\$2.3 million. The increase in deferred revenue of US\$10.8 million was primarily driven by an increase in receipt in advance from clients. The increase in prepaid media cost of US\$9.6 million was primarily driven by an increase in prepaid media cost under our sales agency arrangement towards the end of 2016 to secure favorable rates for our incentive revenue as we had additional liquidity following our issuance of Series E convertible redeemable shares in December 2016. The non-cash items of US\$22.1 million were primarily attributable to share-based compensation of US\$21.2 million in relation to our share based payment to one of our founders and certain members of OptAim management team of US\$17.6 million and employees of US\$3.6 million in 2016, and amortization of intangible assets of US\$4.3 million relating to intangible assets, partially offset by fair value gain on derivative financial instruments of US\$4.0 million.

Investing Activities

Net cash provided by investing activities in 2018 was US\$8.4 million, due to the maturity of time deposits of US\$25.0 million, partially offset by increase in short-term investments of US\$17.4 million, related to investment deposit product.

Net cash used in investing activities in 2017 was US\$25.2 million, due to an increase in time deposits of US\$25.0 million.

Net cash provided by investing activities in 2016 was US\$0.5 million, due to a decrease in short-term investments of US\$1.6 million, partially offset by purchase of property and equipment of US\$1.0 million.

Financing Activities

Net cash provided by financing activities in 2018 was US\$27.8 million, which was primarily attributable to net proceeds from issuance of convertible notes of US\$27.8 million.

Net cash provided by financing activities in 2017 was US\$25.5 million, which was primarily attributable to our net IPO proceed of US\$28.4 million.

Net cash provided by financing activities in 2016 was US\$24.6 million, which was primarily attributable to US\$20.0 million of proceeds from issuance of series E convertible redeemable preferred shares and US\$8.2 million of proceeds from bank borrowings, partially offset by repayment of bank borrowings of US\$3.8 million.

Credit Facilities

In December 2015, we entered into a facility agreement for working capital loans with SPD Silicon Valley Bank, which was most recently amended in December 2018. Pursuant to the agreement as amended, we were granted a one-year revolving line of credit up to the lesser of (a) RMB70 million (US\$10.2 million) and (b) a borrowing base equal to 70% of eligible accounts receivable (as defined in the agreement). The agreement as amended provides for customary representations, warranties, affirmative and negative covenants and events of default. The agreement as amended also includes a financial covenant that requires that we meet certain minimum monthly adjusted quick ratio and minimum quarterly EBITDA. We provided corporate guarantee and a maximum amount of RMB84 million (US\$12.2 million) accounts receivable as pledge to secure our obligation to SPD Silicon Valley Bank. The interest rate of this facility is the benchmark interest rate determined by the People's Bank of China for loans over one year granted by financial institutions plus 2.65% per annum. We are required to make monthly interest payments through December 2019, when the loan matures and the principal is due and payable. As of December 31, 2018, the total outstanding amount of the revolving loan was RMB50 million (US\$7.3 million).

In December 2015, we entered into a facility agreement for working capital loans with SPD Silicon Valley Bank, which was most recently amended in December 2017. Pursuant to the agreement as amended, we were provided with a US\$2 million term loan and a revolving line of credit up to the lesser of (a) US\$3 million and (b) a borrowing base equal to 80% of eligible accounts receivable (as defined in the agreement). The agreement as amended provides for customary representations, warranties, affirmative and negative covenants and events of default. The agreement as amended also includes a financial covenant that requires that we meet certain minimum monthly adjusted quick ratio and minimum quarterly EBITDA. We provided corporate guarantee and debentures constituting a floating charge over all assets of certain of our subsidiaries to secure our obligation to SPD Silicon Valley Bank. The interest rate for the term loan facility is the benchmark interest rate determined by three-month LIBOR plus 7.00% per annum, and we are required to make equal monthly payments of principal plus accrued interest through January 2018. We will be charged a prepayment fee if we prepay the term loan before the maturity date. As of December 31, 2017, the total outstanding amount of the term loan was approximately US\$0.3 million and no further amounts were available to be drawn under this facility. The interest rate of the revolving loan is the benchmark interest rate determined by three-month LIBOR plus 5.55% per annum, and we are required to make monthly interest payments through December 2018, when the loan matures and the principal is due and payable. We are allowed to voluntarily prepay the revolving loan without prepayment charges. We repaid the outstanding balance upon the maturity before December 31, 2018.

In September 2018, we entered into a facility agreement for working capital loans with SPD Silicon Valley Bank. Pursuant to the agreement as amended, we were granted a one-year revolving line of credit up to the lesser of (a) RMB30 million (US\$4.4 million) and (b) a borrowing base equal to 70% of eligible accounts receivable (as defined in the agreement). The agreement as amended provides for customary representations, warranties, affirmative and negative covenants and events of default. The agreement as amended also includes a financial covenant that requires that we meet certain minimum monthly adjusted quick ratio and minimum quarterly EBITDA. We provided corporate guarantee and a maximum amount of RMB36 million (US\$5.2 million) account receivables as pledge to secure our obligation to SPD Silicon Valley Bank. The interest rate of this facility is the benchmark interest rate determined by the People's Bank of China for loans over one year granted by financial institutions plus 2.65% per annum. We are required to make monthly interest payments through September 2019, when the loan matures and the principal is due and payable. As of December 31, 2018, the total outstanding amount of the revolving loan was RMB15 million (US\$2.2 million).

As of December 31, 2016, 2017 and 2018, certain financial covenants (minimum monthly adjusted quick ratio and minimum quarterly EBITDA as defined in the banking facilities agreements) as set out in these loan agreements have been breached. The relevant subsidiaries have obtained waiver letters for waiving the requirements to meet the financial covenants such that the bank would not demand immediate repayment.

Other than those shown in “—Credit Facilities”, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2018.

Capital Expenditures

We made capital expenditures of US\$0.9 million, US\$0.1 million and US\$0.4 million in 2016, 2017 and 2018, respectively. In these periods, our capital expenditures were mainly used for the purchase of property and equipment and purchase of software. We will continue to make capital expenditures to support our business.

Holding Company Structure

iClick Interactive Asia Group Limited is a Cayman Islands exempted limited liability company, used as a holding company with no material operations of its own. We conduct our operations primarily through our wholly-owned subsidiaries, our consolidated VIE and its subsidiary in China. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our PRC subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly-owned subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our wholly-owned PRC subsidiaries and consolidated affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by the SAFE. We currently plan to reinvest all earnings from our PRC subsidiaries to their business developments and do not plan to request dividend distributions from them.

C. Research and Development, Patents and Licenses, Etc.

See “Item 4. Information On the Company—B. Business Overview— Research and Development” and “—Intellectual Property”

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since January 1, 2018 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause reported consolidated financial information not necessarily to be indicative of future operating results or financial conditions.

E. Off-balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or product development services with us.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2018:

	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(US\$ in thousands)				
Operating lease obligations	3,420	1,763	1,657	—	—
Debt obligation, including interest	10,052	10,052	—	—	—
Total	13,472	11,815	1,657	—	—

Our operating lease obligations relate to our leases of office premises. We lease our office premises under a non-cancelable operating lease arrangement. Rental expenses under operating leases for 2017 and 2018 were US\$1.9 million and US\$2.7 million, respectively.

G. Safe Harbor

See “Forward-Looking Statements” on page 2 of this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this annual report. Except for Messrs. Scott Moore, Dylan Huang and Honnus Cheung, the business address for our directors and executive officers is that of our principal executive office at: 15/F, Prosperity Millennia Plaza, 663 King’s Road, Quarry Bay, Hong Kong S.A.R. The business address of Mr. Scott Moore is 1935 NE 19th St., Clyde Hill, WA 98004. The business address of Mr. Dylan Huang is 522 Huamei St. 11F-1, West district, Taichung, Taiwan. The business address of Ms. Honnus Cheung is Unit 3608, Level 36, AIA Tower, 183 Electric Road, Hong Kong.

Directors and Executive Officers	Age	Position/Title
Wing Hong Sammy Hsieh	46	Chairman of the Board, Chief Executive Officer, and Co-Founder
Jian Tang	42	Director, Chief Operating Officer, Chief Technology Officer, and Co-Founder
Yau Ping Ricky Ng	38	Director and Co-Founder
Scott Moore	57	Director
Dylan Huang	44	Director
Honnus Cheung	48	Director
James Kim	56	Director
Terence Li	42	Chief Financial Officer
Yan Lee	36	Chief Product Officer

Mr. Wing Hong Sammy Hsieh is our chairman of the board and co-founder and has served as our chief executive officer since 2009. Prior to founding our company, Mr. Hsieh held senior positions in a number of prominent technology companies. Mr. Hsieh was general manager for Asia Pacific at Efficient Frontier (now an Adobe company), a leading digital performance marketing company in 2008. Prior to that, Mr. Hsieh was director of Search Marketing at Yahoo Hong Kong during 2000 to 2008, during which he oversaw the business operations, including sales, marketing, business development and product management. Mr. Hsieh also held various sales and marketing positions at the LVMH Group and British American Tobacco earlier in his career. Mr. Hsieh received his bachelor’s degree in economics from the University of California, Los Angeles.

Mr. Jian Tang is our director and co-founder and has served as our chief operating officer since January 2016 and our chief technology officer since November 2016. Mr. Tang has approximately 20 years of experience in digital advertising and is well-known in the area of advertising technologies and big data in China. Prior to joining us, Mr. Tang founded OptAim in 2012, which was later acquired by us in July 2015. Prior to founding OptAim, Mr. Tang was Tencent’s engineering director of Advertising Platform Department who helped initiate and develop Tencent’s programmatic ad exchange platform. Mr. Tang had also served key research and engineering and management roles at Yahoo’s global research and development center, Baidu and Microsoft Research from 2005 to 2011, where he led a number of major technical and research and development projects. Mr. Tang received his doctor’s degree in computer engineering from Tsinghua University. Mr. Tang was named by Campaign Asia as one of the leaders in its Digital A-List in 2016.

Mr. Yau Ping Ricky Ng is our director and co-founder. Mr. Ng has also served as director of both Aladdin Fintech (Beijing) Company Limited and Aladdin Fintech Company Limited. Prior to founding our company, Mr. Ng was head of direct sales at Yahoo Hong Kong where he specialized in developing new business and sales partnerships for the company's search marketing and performance display solutions. Mr. Ng received his bachelor's degree in computer science from the Chinese University of Hong Kong. Mr. Ng was named by Campaign Asia as "Digital A-list Digital Entrepreneur" in 2015 and Vmarketing as "Top 100 digital figures in 2011-2012."

Mr. Scott Moore has served as our director since December 2017. Mr. Moore is the founder, chief executive officer and member of the board of directors of Ad Lightning, Inc. From September 2013 to April 2016, he served as chairman of the board of directors and chief executive officer of Cheezburger Networks, Inc. Prior to this, Mr. Moore was the chief digital officer of Hibu, plc. From 2009 to 2011, Mr. Moore was the executive producer at MSN US for Microsoft Corporation. During his employment with Microsoft Corporation, Mr. Moore also served on the board of directors of MSNBC.com, a joint venture of Microsoft Corporation and NBC Universal. Mr. Moore received his MBA degree from the University of Washington in 1994 and his bachelor's degree in arts from the Harvard College in 1985.

Mr. Dylan Huang has served as our director since December 2017. Mr. Huang has served as senior vice president of Meituan-Dianping since 2017. Mr. Huang served as the corporate vice president, group chief technology officer and general manager at Tencent Online Media Group from 2008 to 2017, leading its media's mobile initiative. He was the senior lead program manager, program manager, software design engineer and software design engineer in test at Microsoft Corporation from 2001 to 2008. Mr. Huang received his bachelor's degree and doctor's degree in electrical engineering from Zhejiang University and his MBA degree from Washington Business School.

Ms. Honnus Cheung has served as our director since December 2017. Ms. Cheung has served as the chief financial officer at Travelzoo, Asia Pacific since September 2015. Ms. Cheung served as the group chief financial officer of Travelzoo (Asia Pacific) Inc from November 2009 to August 2015 and the Asia Pacific chief financial officer of Travelzoo Inc. from September 2007 to October 2009. Prior to working at Travelzoo, Ms. Cheung served as the regional finance director of Yahoo Asia Pacific operations from 1999 to 2007. Prior to working at Yahoo, Ms. Cheung worked various professional positions at American Standard and PricewaterhouseCoopers. Ms. Cheung received her bachelor's degree in commerce from the University of Queensland, Australia and an MBA degree from Northwestern University, United States. Ms. Cheung is a fellow member of Hong Kong Institution of Certified Public Accountants of Hong Kong (FCPA) and Certified Practising Accountants of Australia (FCPA), respectively. She is also a fellow member of the Hong Kong Institute of Directors (FHKIoD).

Mr. James Kim has served as our Director since June 2018. Mr. Kim is currently the Chairman and CEO of American Chamber of Commerce in Korea since July 2017, the largest foreign chamber with more than 700 member companies with diverse interests and substantial participation in the Korean economy. Previously, Mr. Kim served as the Chairman and CEO of GM Korea. Prior to that, Mr. Kim served as the Country Manager and CEO of Microsoft Korea from 2009 to 2015. Prior to joining Microsoft, Mr. Kim served as Regional Vice President and CEO of Korean Operations at Yahoo from 2005 to 2009. Mr. Kim received an MBA from Harvard Business School and a BA in Economics from UCLA.

Mr. Terence Li has served as our Chief Financial Officer since January 1, 2019 and has served as our head of finance since 2018. Mr. Li has approximately 15 years of experience in financial management, investment, and business operations. Prior to joining us, Mr. Li served in management roles and advisory capacities at several start-ups, in addition to financial management and fundraising roles. Mr. Li was a Vice President with our Series A investor, Sumitomo Corporation Equity Asia, and served on our board of directors between 2009 and 2013. Mr. Li also worked at PricewaterhouseCoopers, specializing in M&A due diligence and cross border tax and deal structuring projects. Mr. Li received his bachelor's degree in accounting from the HK Polytechnic University and an MBA with Distinction and Dean's List honors from Oxford University's Saïd Business School. Mr. Li is a Fellow Member of ACCA, a Member of HKICPA, and a Chartered Financial Analyst.

Mr. Yan Lee has served as our chief product officer since 2016. Mr. Lee has approximately ten years of experience in digital marketing and products, with a focus on big data advertising platforms as well as business ecosystem infrastructure. Prior to joining us, Mr. Lee was the founder and chief executive officer of Buzzinate, a leading demand side platform and data service provider in mainland China, which was acquired by us in November 2014. Prior to founding Buzzinate, Mr. Lee held strategic advertising roles at several 4As agencies serving automobile, fast-moving consumer goods and retail clients. Mr. Lee received his dual bachelor's degrees in advertising and corporate management from National Chengchi University in Taiwan, and an MBA degree from China Europe International Business School in Shanghai, China. In 2012, Mr. Lee was named by Forbes China as one of China's "30 Under 30" Entrepreneurs.

Employment Agreements and Indemnification Agreements with Executive Officers

We have entered into employment agreements with each of our executive officers.

Term and Termination

Pursuant to these agreements, we will be entitled to terminate a senior executive officer's employment for cause at any time without remuneration for certain act of dishonesty, serious misconduct or any other act that justifies immediate dismissal of the officer, or if that officer is precluded by law from performing his duty as an officer. We may also terminate a senior executive officer's employment by giving three months' prior written notice or three months' salary if the senior executive officer is not qualified for his position after we provide relevant training to him. A senior executive officer may terminate his or her employment at any time by giving three months' prior written notice.

Confidentiality; IP

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information, including but not limited to, trade secrets, any information concerning the process, system, data, financials, dealings or other confidential business information. The executive officers have also agreed that all intellectual property rights which they conceive, develop, write or otherwise created in the course of their employment, whether during or outside normal working hours, will be vested solely in us, and the officers will, at our request and expense, execute such assignments and assurances as may be reasonably necessary to perfect our ownership of those rights.

Non-Competition and Non-Solicitation

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for six months following the last date of employment, unless otherwise agreed. Specifically, during such term each executive officer has agreed not to (i) directly or indirectly engage or involve in any business which is in competition with us; (ii) directly or indirectly canvass or solicit from our clients any goods or services similar to ours; and (iii) entice, endeavor to entice, persuade or procure away any of our employees.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by them in connection with claims made by reason of their being a director or officer of our company.

B. Compensation of Directors and Executive Officers

For the year ended December 31, 2018 we paid an aggregate of approximately US\$1.0 million in cash to our executive officers, and we paid an aggregate of approximately US\$0.2 million to our non-executive directors. Subject to the requirements under the applicable laws, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and variable interest entity are required by law to make contributions based on the insurance scales set forth by the local government for employees' pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund. Our Hong Kong subsidiaries are required by the Hong Kong Mandatory Provident Fund Schemes Ordinance to make monthly contributions to the mandatory provident fund scheme in an amount equal to at least 5% of an employee's salary.

Share Incentive Plans

2018 Plan

Under the 2018 Plan, the maximum number of ordinary shares that may be issued to the beneficiaries is 2,398,137, which have been issued to Arda as trustee to the beneficiaries of the 2018 Plan. As of March 31, 2019, options to purchase 853,056 ordinary shares are outstanding, including unvested options to purchase 58,385 ordinary shares, and vested and unexercised options to purchase 794,671 ordinary shares.

The following paragraphs describe the principal terms of the 2018 Plan.

Type of Awards. The 2018 Plan permits the award of options to purchase our ordinary shares.

Trustee. Mr. Wing Hong Sammy Hsieh through Arda upon trust serves as the trustee to the beneficiaries of the 2018 Plan. Upon a grantee's exercise of any options awarded under the 2010 Plan, the trustee shall hold the resulting ordinary shares until a public offering of our ordinary shares on a stock exchange or if our board of directors decides to transfer the ordinary shares to the grantee, and until either of such transfer events, the trustee shall pay cash or other dividend payments on these ordinary shares to the grantee. The trustee shall only deal with the trust properties in such manner as our board of directors from time to time directs in writing.

Award Agreement. Any award granted under the 2018 Plan is evidenced by an award agreement that sets forth terms, conditions and limitations on such award, which may include the number of options awarded, the exercise price, the vesting schedule, the provisions applicable in the event of the grantee's employment or service terminates, among others. We may amend or delete the terms of any award from time to time, provided that no such amendment shall impair the rights and benefits of any participant without his or her consent.

Eligibility. We may grant awards to employees of our company or any of our subsidiaries.

Vesting Schedule. Unless otherwise stated in respective grants, subject to forfeiture and arrangement on termination of employment or service, 25% of the share options shall be vested at the one-year anniversary of the grant date and 1/36 of the remaining 75% of the shares options shall be vested per month thereafter. In the event a take-over offer is made to our ordinary shares, we will use our best endeavors to procure that such take-over offer be extended to any ordinary shares that may be allotted pursuant to the exercise of unexercised share options.

Exercise of Options. Vested options will become exercisable during the first five business days of January, April, July and October until the termination date of the 2018 Plan, subject to other terms and conditions provided in the relevant award agreements. Once all the preconditions are met, a participant may exercise options in whole or in part by giving written notice of exercise to us specifying information such as the number of shares to be purchased.

Transfer Restrictions. The participant will not be permitted to transfer, assign, dispose of, or create or purport to create any encumbrances over any option. In principle, all options shall be exercisable only by the participants. Any such transfer, assignment, disposal or encumbrance or purported encumbrance shall result in the automatic cancellation of the option.

Termination and amendment of the 2018 Plan. Our board of directors may amend or discontinue the 2018 Plan, provided that such amendment or termination shall not impair the rights of a participant under any award without such participant's consent.

The following table summarizes, as of March 31, 2019, the outstanding options granted under the 2018 Plan to our directors, executive officers and other grantees.

Name	Ordinary Shares Underlying Outstanding Options	Exercise Price (US\$/Share)	Grant Date	Expiration Date
Yau Ping Ricky Ng	*	4.800	June 21, 2013	April 1, 2023
Jian Tang	*	0.2687 — 4.0304	August 1, 2015	August 1, 2025
Yan Lee	*	8.1290 — 8.1300	January 1, 2015 to January 1, 2017	January 1, 2025 to January 1, 2027
Other grantees	632,005	0.0100 — 20.0000	April 1, 2011 to July 1, 2017	April 1, 2020 to April 1, 2027

* Less than 1% of our total outstanding ordinary shares.

2017 and 2018 Performance-Based Incentive Shares

In December 2016, our board of directors and shareholders authorized the issuance of 1,068,114 ordinary shares to Jian Tang and certain other employees in China upon the fulfillment of certain performance conditions in 2017, and the issuance of 801,086 ordinary shares to Jian Tang and certain other employees in China upon the fulfillment of certain performance conditions in 2018. Since the performance conditions were not fulfilled in 2017 and 2018, the 1,068,114 and 801,086 ordinary shares were not issued to Jian Tang and certain other employees.

Post-IPO Plan

Under our Post-IPO Plan, previously named as 2017 Share Incentive Plan, which became effective in December 2017, directors and consultants and promote the success of our business. On September 22, 2018, our board of directors approved an increase of 1,500,000 Class A ordinary shares to the award pool under the Post-IPO Plan. As a result, the maximum number of ordinary shares which may be issued pursuant to all awards under the Post-IPO Plan shall initially be 2,500,000 Class A ordinary shares, plus an annual increase on the first day of each of our fiscal year during the term of the Post-IPO Plan commencing with the fiscal year beginning January 1, 2018, by an amount equal to the least of (i) 0.5% of the total number of Class A ordinary shares issued and outstanding on the last day of the immediately preceding fiscal year; (ii) 150,000 Class A ordinary shares or (iii) such number of Class A ordinary shares as may be determined by our board of directors. All of such shares will be Class A ordinary shares. As of the date hereof, the award pool under the Post-IPO Plan is 2,722,024 Class A ordinary shares. As of March 31, 2019, 501,432 Class A ordinary shares are outstanding under our Post-IPO Plan, representing the shares underlying the unvested 501,432 restricted Class A ordinary shares units.

The following paragraphs describe the principal terms of the Post-IPO Plan.

Types of Awards. The Post-IPO Plan permits the awards of options, restricted shares and restricted share units.

Plan Administration. Our board of directors or a committee of one or more members of the board of directors will administer the Post-IPO Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the Post-IPO Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our employees, directors and consultants of our company. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our parent companies and subsidiaries.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is ten years from the date of a grant.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

Termination and amendment of the Post-IPO Plan. Unless terminated earlier, the Post-IPO Plan has a term of ten years. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary to comply with applicable law. Shareholder approval is required for any amendment to the Post-IPO Plan that (i) increases the number of shares available under the Post-IPO Plan, or (ii) permits the plan administrator to extend the term of the Post-IPO Plan or the exercise period for an option beyond ten years from the date of grant.

C. Board Practices

Our board of directors consists of seven directors, including executive directors and non-executive directors. Pursuant to our ninth amended and restated memorandum and articles of association, the size of our board of directors shall be limited to nine. Please refer to “Item 3. Key Information—D. Risk Factors — Risks Related to Our American Depositary Shares — As a company incorporated in the Cayman Islands, we will adopt certain home country practices in relation to corporate governance matters that differ significantly from the NASDAQ corporate governance requirements; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the NASDAQ corporate governance requirements.” The powers and duties of our directors include convening general meetings and reporting our board’s work at our shareholders’ meetings, declaring dividends and distributions, determining our business and investment plans, appointing officers and determining the term of office of the officers, preparing our annual financial budgets and financial reports, formulating proposals for the increase or reduction of our authorized capital as well as exercising other powers, functions and duties as conferred by our articles of association. Our directors may exercise all the powers of our company to borrow money, mortgage its business, property and uncalled capital and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with us is required to declare the nature of his interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

Committees of the Board of Directors

We are a foreign private issuer (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs are listed on the NASDAQ Global Market. Under Section 5615 of the NASDAQ Stock Market Rules, NASDAQ-listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by NASDAQ with limited exceptions. Please refer to “Item 3. Key Information — D. Risk Factors—Risks Related to Our American Depositary Shares — As a company incorporated in the Cayman Islands, we will adopt certain home country practices in relation to corporate governance matters that differ significantly from the NASDAQ corporate governance requirements; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the NASDAQ corporate governance requirements.” We have established an audit committee, a compensation committee, and a nominating and corporate governance committee under the board of directors. We have adopted a charter for each of the three committees. Each committee’s members and functions are described below.

Audit Committee Our audit committee consists of Honnus Cheung, Scott Moore and Dylan Huang, and is chaired by Honnus Cheung. Honnus Cheung, Scott Moore and Dylan Huang each satisfy the “independence” requirements of the Rule 5605(c)(2) of the Listing Rules of the NASDAQ Stock Market and meet the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Honnus Cheung qualifies as an “audit committee financial expert.” The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-screening all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board of directors.

Compensation Committee Our compensation committee consists of Dylan Huang, Wing Hong Sammy Hsieh and Jian Tang, and will be chaired by Dylan Huang. Dylan Huang satisfies the "independence" requirements of the Listing Rules of the NASDAQ Stock Market. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board with respect to it;
- reviewing the compensation of our directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee Our nominating and corporate governance committee will consist of Scott Moore, Wing Hong Sammy Hsieh, and Jian Tang, and will be chaired by Scott Moore. Scott Moore satisfies the "independence" requirements of the Listing Rules of the NASDAQ Stock Market. The nominating and corporate governance committee will assist the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee will be responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors have a common law duty to act honestly in good faith with a view to our best interests and for a proper purpose. Our directors also have a duty to exercise the skill they actually possess with the care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening general meetings and reporting our board's work at our shareholders' meetings;
- declaring dividends and distributions;
- determining our business and investment plans;
- appointing officers and determining the term of office of the officers;
- preparing our annual financial budgets and financial reports;
- formulating proposals for the increase or reduction of our authorized capital; and
- exercising other powers, functions and duties as conferred by our articles of association.

Our directors may exercise all the powers of our company to borrow money, mortgage its business, property and uncalled capital and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third party.

Terms of Directors and Officers

Pursuant to our eighth amended and restated memorandum and articles of association, our board of directors shall have the power from time to time and at any time to appoint any person as a director to fill a casual vacancy on the board or as an addition to the existing board (subject to the maximum size limit). Any director so appointed by the board shall hold office only until the next following annual general meeting and shall then be eligible for re-election. Our directors will not be subject to a term of office and will hold their offices until such time as they are removed from office by an ordinary resolution of our shareholders with or without cause, or by the board of directors for cause. "Cause" shall mean a conviction for a criminal offence involving dishonesty or engaging in conduct which brings the director or us into disrepute or which results in material financial detriment to the us. In addition, the office of any of our directors shall be vacated if the director (a) resigns his office by notice in writing to our company; (b) becomes of unsound mind or dies; (c) without special leave of absence from our board of directors, is absent from meetings of the board for six consecutive months and the board of directors resolves that his office be vacates; (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors; (e) is prohibited by law from being a director; or (f) ceases to be a director by virtue of any provision of the Statutes or is removed from office pursuant to our memorandum and articles of association.

Pursuant to our ninth amended and restated memorandum and articles of association, any removal or appointment of chairman of the board is subject to shareholder approval by ordinary resolution.

D. Employees**Employees**

As of December 31, 2016, 2017 and 2018 we had a total of 554, 448 and 508 employees, respectively. The table below provides a breakdown of our employees by function as of December 31, 2018:

	<u>Number of employees</u>	<u>% of Total</u>
Product, technology and data engineering	75	14.8
Sales, business development and account management	360	70.8
General and administrative	73	14.4
Total	<u>508</u>	<u>100.0</u>

As of December 31, 2018, we had a total of 508 employees, increasing by 13.4% from 448 as of the end of December 31, 2017. The increase primarily resulted from the increase in headcount for sales, business development and account management function, and product, technology and data engineering function as we continuously expanding our mobile marketing solutions business.

We enter into standard labor contracts and confidentiality agreements with our management and employees. Our success depends on our ability to attract, retain and motivate qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages initiative and self-development. We provide specific training to new employees at orientation to familiarize them with our working environment and operational procedures. We also design and implement in-house training programs tailored to each job function and set of responsibilities to enhance performance. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

In addition to salaries and benefits, we provide commission-based compensation for our sales force and performance-based bonuses for other employees. We also allow many of our employees to participate in share-based incentive plans to align their interests more closely with those of our shareholders. As required by regulations in China, we participate in various employee social security plans that are administered by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance plans. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local governments from time to time.

We believe that our working environment and the support and benefits provided to our employees have contributed to maintaining good working relationships with our employees. None of our employees are represented by labor unions.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2019 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our total outstanding shares.

As of March 31, 2019, there were 30,376,301 ordinary shares outstanding, par value \$0.001 per share, being the sum of 25,555,693 Class A ordinary shares and 4,820,608 Class B ordinary shares. The calculations in the table below are based on 28,495,470 ordinary shares outstanding as of March 31, 2019, comprising (i) 23,674,862 Class A ordinary shares, excluding (x) the 1,557,578 Class A ordinary shares held by Arda Holdings Limited underlying the options granted but not yet exercised (whether or not they are vested) and the options reserved for issuance under our 2018 Plan, and (y) the 323,253 Class A ordinary shares held by JPMorgan Chase Bank N.A., our depository, underlying the unvested restricted Class A ordinary shares units under our Post-IPO Plan, and (ii) 4,820,608 Class B ordinary shares outstanding.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned				Aggregate Voting Power % ††
	Class A Ordinary Shares Number	Class B Ordinary Shares Number	Total Ordinary Shares		
			Number	% †	
Directors and Executive Officers:					
Wing Hong Sammy Hsieh ⁽¹⁾	—	2,500,580	2,500,580	8.8	41.6
Jian Tang ⁽²⁾	42,143	2,320,028	2,362,171	8.3	38.7
Yau Ping Ricky Ng ⁽³⁾	954,653	—	954,653	3.3	0.8
Scott Moore	(i)	—	(i)	(i)	(i)
Dylan Huang	(i)	—	(i)	(i)	(i)
Honnus Cheung	(i)	—	(i)	(i)	(i)
Terence Li	(i)	—	(i)	(i)	(i)
Yan Lee	378,276	—	378,276	1.3	0.3
All directors and Executive Officers as a Group	1,400,884	4,820,608	6,221,492	21.7	81.4
Principal Shareholders:					
Bertelsmann Asia Investments AG and its affiliate ⁽⁴⁾	3,281,417	—	3,281,417	11.5	2.7
Blue Focus International Limited ⁽⁵⁾	3,235,338	—	3,235,338	11.4	2.7
Sumitomo Corporation Equity Asia Limited ⁽⁶⁾	2,881,030	—	2,881,030	10.1	2.4
Wing Hong Sammy Hsieh ⁽¹⁾	—	2,500,580	2,500,580	8.8	41.6
Czerny Holdings Limited and Cervetto Holdings Limited ⁽⁷⁾	2,486,302	—	2,486,302	8.7	2.1
Igomax Inc. ⁽⁸⁾	14,583	2,320,028	2,334,611	8.2	38.6
Maestro Investment Holdings Limited and its shareholder ⁽⁹⁾	2,614,207	—	2,614,207	9.2	2.2
O & K Investment Limited ⁽¹⁰⁾	1,532,955	—	1,532,955	5.4	1.3
LIM Advisors Limited ⁽¹¹⁾	4,591,869	—	4,591,869	14.1	6.0

(i) Less than 1% of our total outstanding shares.

† For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days of March 31, 2019, by the sum of (1) 28,495,470, which is the total number of ordinary shares outstanding as of March 31, 2019; and (2) the number of ordinary shares that such person or group has the right to acquire within 60 days of March 31, 2019.

†† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to 20 votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

- (1) Represents 2,500,580 Class B ordinary shares held by Wing Hong Sammy Hsieh.
- (2) Represents (a) 2,320,028 Class B ordinary shares held by Igomax Inc., a British Virgin Islands company wholly owned by Jian Tang, (b) 27,560 Class A ordinary shares that are issuable upon exercise of options held in trust by Mr. Tang on behalf of certain consultants of OptAim, and (c) 14,583 Class A ordinary shares that Igomax Inc. has the right to obtain upon conversion of certain restricted share units it holds.
- (3) Represents (a) 440,653 Class A ordinary shares held by Yau Ping Ricky Ng, (b) 74,000 Class A ordinary shares that are issuable upon exercise of options held by Mr. Ng, and (c) 440,000 Class A ordinary shares held by Victory Will Limited. Victory Will Limited is a British Virgin Islands company wholly owned by Yau Ping Ricky Ng.
- (4) Represents (a) 2,689,329 Class A ordinary shares held by Bertelsmann Asia Investments AG, and (b) 592,088 Class A ordinary shares held by BAI GmbH. Bertelsmann Asia Investments AG is a Swiss company and BAI GmbH is a Germany company. Both Bertelsmann Asia Investments AG and BAI GmbH are controlled by Bertelsmann SE & Co. KGaA.
- (5) Represents 3,235,338 Class A ordinary shares held by Blue Focus International Limited, a company incorporated in Hong Kong. Blue Focus International Limited is wholly owned by BlueFocus Communication Group Co. Ltd., a company listed on Shenzhen Stock Exchange.
- (6) Represents 2,881,030 Class A ordinary shares held by Sumitomo Corporation Equity Asia Limited, a company incorporated in Hong Kong wholly owned by Sumitomo.
- (7) Represents (a) 887,116 Class A ordinary shares held by Czerny Holdings Limited and (b) 1,599,186 Class A ordinary shares held by Cervetto Holdings Limited. Czerny Holdings Limited and Cervetto Holdings Limited are incorporated in the British Virgin Islands. Czerny Holdings Limited is wholly owned by SSG Capital Partners I GPGP, Ltd and Cervetto Holdings Limited is wholly owned by SSG Capital Partners II GPGP, Ltd. Mr. Wong Ching Him, Mr. Shyam Maheshwari and Mr. Andreas Vourloumis together hold all voting power over SSG Capital Holdings Limited, which is the sole shareholder of SSG Capital Partners I GPGP, Ltd and SSG Capital Partners II GPGP, Ltd. The registered office address of Czerny Holdings Limited and Cervetto Holdings Limited is P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands.
- (8) Represents 2,320,028 Class B ordinary shares held by Igomax Inc, a British Virgin Islands company wholly owned by Jian Tang, and (b) 14,583 Class A ordinary shares that Igomax Inc. has the right to obtain upon conversion of certain restricted share units it holds.
- (9) Represents (a) 2,011,997 Class A ordinary shares held by Maestro Investment Holdings Limited, a company incorporated in British Virgin Islands and (b) 602,210 Class A ordinary shares held by Mr. Jiping Liu, who is the sole shareholder of Maestro Investment Holdings Limited.
- (10) Represents 1,532,955 Class A ordinary shares held by O & K Investment Limited, a company incorporated in Hong Kong. Sunee Chiraseivinupraphand is the sole shareholder of O & K Investment Limited. Sunee Chiraseivinupraphand is spouse of Wing Hong Sammy Hsieh.
- (11) Represents the maximum number of 4,591,869 Class A ordinary shares that LIM Advisors Limited has the right to acquire upon the conversion of certain mandatory convertible notes due 2023, as a holder of convertible notes, as reported in the Schedule 13G filed on October 19, 2018. LIM Advisors Limited is a company incorporated in Hong Kong and its business address is 19/F Ruttonjee House, 11 Duddell Street, Central.

To our knowledge, as of March 31, 2019, 11,301,074, or 39.7% of our ordinary shares were held by one record holder in the United States, which was JPMorgan Chase Bank, N.A., the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with our Variable Interest Entity and its Shareholders

See “Item 4. Information on the Company—C. Organizational Structure.”

Shareholders Agreement

We entered into a fourth amended and restated shareholders agreement on December 28, 2016 with our shareholders, which consist of holders of our ordinary shares, series A preferred shares, series B preferred shares, series C preferred shares, series D preferred shares and series E preferred shares.

The shareholders agreement provides for certain shareholders rights. Except for the registration rights described below, all the shareholders' rights under the shareholders agreement automatically terminated upon completion of our initial public offering.

Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. Holders of at least 25% of the registrable securities, which include our ordinary shares issued or issuable to certain ordinary shareholders, ordinary shares issued or to be issued upon conversion of our preferred shares, ordinary shares issued as a dividend of our preferred shares, or ordinary shares owned or acquired by purchasers of our preferred shares, may, at any time, request registration of their shares and we will use our reasonable best efforts to cause such shares to be registered. We, however, are not obligated to effect a demand registration if we have already effected three demand registrations. We also have the right to defer the filing of a registration statement for up to forty-five days on any one occasion or for up to a total of ninety days during any twelve month period if our board of directors determines in good faith that the registration at such time would be materially detrimental to us and our shareholders, provided that we may not register any securities for our own account or any other person within such period other than pursuant to a registration statement relating to the sale of securities pursuant to our share incentive plan, relating to a corporate reorganization or other transaction under Rule 145 of the Securities Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities, or a registration in which the only ordinary shares being registered are ordinary shares issuable upon conversion of debt securities that are also being registered.

Form F-3 Registration Rights. When we are eligible for registration on Form F-3, upon a written request from any holder of the registrable securities then outstanding, we must promptly file a registration statement on Form F-3 covering the offer and sale of the registrable securities by the requesting shareholders and other holders of registrable securities who choose to participate in the offering upon notice. We, however, are not obligated to effect more than two such Form F-3 registrations that have been declared and ordered effective within any twelve-month period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering for our own account or for the account of holder of equity securities, other than pursuant to a registration statement relating to the sale of securities pursuant to our share incentive plan, relating to a corporate reorganization or other transaction under Rule 145 of the Securities Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities, or a registration in which the only ordinary shares being registered are ordinary shares issuable upon conversion of debt securities that are also being registered, then we must offer holders of our registrable securities an opportunity to include in this registration all or any part of their registrable securities.

Underwritten Offering. The underwriters of any underwritten offering may in good faith request a reduction in the number of shares offered by reducing the number to be satisfactory to the underwriter in the following order: (i) if the offering is our IPO, exclude from the underwritten offering all of the registrable securities (so long as the only securities included in such offering are those sold for our own account) or (ii) otherwise exclude up to twenty-five percent (25%) of the registrable securities requested to be registered but only after first excluding all other equity securities from the registration and underwritten offering and so long as the number of shares to be included in the registration on behalf of the non-excluded holders is allocated among all holders in proportion, as nearly as practicable, to the respective amounts of registrable securities requested by such holders to be included.

Expenses of Registration. We will pay all expenses incurred in complying with the terms of the registration rights provisions, other than the underwriting discounts and commissions applicable to the sale of registrable securities pursuant to the registration rights provisions (which shall be borne by the holders requesting registration on a pro rata basis in proportion to their respective numbers of registrable securities sold in such registration), provided that expenses for a demand or F-3 registration withdrawn at the request of a majority of holders of registrable securities shall be borne by the withdrawing shareholders unless such withdrawal is due to our action or inaction or an event outside of the reasonable control of such holders.

Termination of Obligations. The registration rights set forth above shall terminate on the later of (i) the date that is five years from the date of closing of a qualified initial public offering and (ii) with respect to any holder, the date on which such holder may sell all of their registrable securities under Rule 144 of the Securities Act in any ninety-day period.

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees — A. Directors and Senior Management — Employment Agreements and Indemnification Agreements with Executive Officers.”

Share Incentive Plan

See “Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers — Share Incentive Plans.”

Other Transactions with Related Parties

On June 4, 2018, we entered into a service agreement with Aladdin Fintect Company Limited, whose founder is Mr. Yau Ping Ricky Ng, our director, in which we agreed to provide platform development, license and maintenance services to Aladdin Fintect Company Limited with a consideration of US\$0.5 million.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

Other than as disclosed in this annual report, we are not presently a party to any legal or administrative proceedings or claims that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition or cash flows. Regardless of the outcome, litigation or any other legal or administrative proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Dividend Policy and Dividend Distribution

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may, by ordinary resolution, declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profit or share premium amount, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We have not previously declared or paid cash dividends and we do not currently plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are an exempted limited liability company, used as a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries, VIE and its subsidiary for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Dividend Distribution.”

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Not Applicable.

B. Plan of Distribution

Not Applicable.

C. Markets

Our ADSs, each representing four ordinary shares, have been listed on the Nasdaq Global Market since December 21, 2017.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

In December 2018, the shareholders of our company approved a special resolution to delete certain provisions of our articles of association which can be more efficiently dealt with through our website and with public filings, and to adopt the ninth amended and restated memorandum and articles of association reflecting such changes. The following are summaries of material provisions of our ninth amended and restated memorandum and articles of association, as well as the Companies Law (2018 Revision) insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company. Under our post-offering amended and restated memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.

Ordinary Shares. Our ordinary shares are issued in registered form and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Register of Members. Under Cayman Islands law, we must keep a register of members and there should be entered therein:

(a) the names and addresses of the members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member;

(b) the date on which the name of any person was entered on the register as a member; and

(c) the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members should be deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members. Upon the closing of our initial public offering, the register of members should be immediately updated to record and give effect to the issue of shares by us to the Depositary (or its nominee) as the depositary. Once our register of members has been updated, the shareholders recorded in the register of members should be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Our share capital is currently divided into Class A ordinary shares and Class B ordinary shares. On a show of hands each shareholder is entitled to one vote or, on a poll, each Class A ordinary share shall be entitled to one (1) vote on all matters subject to vote at general meetings of the Company, and each Class B ordinary share shall be entitled to twenty (20) votes on all matters subject to vote at general meetings of the Company. Unless otherwise required under the laws of the Cayman Islands, Class A ordinary shares and Class B ordinary shares shall vote together as a single class.

Voting at any meeting of shareholders is by way of a poll, unless the chairman allows a vote by show of hands on a resolution which relates purely to a procedural or administrative matter. Procedural and administrative matters are those that are not on the agenda of the general meeting and relate to the chairman's duties to maintain the orderly conduct of the meeting or allow the business of the meeting to be properly and effectively dealt with, while affording all shareholders a reasonable opportunity to express their views.

A quorum required for a meeting of shareholders consists of two shareholders entitled to vote present in person or by proxy or, if the shareholder is a legal entity, by its duly authorized representative. A majority of the board or the chairman of the board may call extraordinary general meetings, which extraordinary general meetings shall be held at such times and locations (as permitted hereby) as such person or persons shall determine. Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general shareholders' meeting.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of votes cast attached to the ordinary shares. Both ordinary resolutions and special resolutions may also be passed by unanimous written resolutions signed by all the shareholders of our company, as permitted by the Companies Law and our post-offering amended and restated memorandum and articles of association. An ordinary resolution will be required for important matters including appointment or removal of the chairman of the board of directors, or removal of any directors (other than "for cause"), etc. A special resolution will be required for fundamental matters including a change of control event, and statutory matters such as merger, a change of name, making changes to our memorandum and articles of association or other matter as required under the laws of the Cayman Islands.

Conversion. Class B ordinary shares are convertible into Class A ordinary shares. All Class B ordinary shares are subject to automatic conversion into Class A ordinary shares when the beneficial ownership of Class B ordinary shares is transferred to persons who are not an affiliate of the holders of the Class B ordinary shares. Each Class B ordinary share is generally convertible into one Class A ordinary share. However, if and when the nominal amount of one Class A ordinary share changes by reason of consolidation or sub-division, the applicable conversion rate of Class B ordinary shares into Class A ordinary shares shall equal the quotient of the revised nominal amount, divided by the former nominal amount, of one Class A ordinary share.

Transfer of Ordinary Shares. Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the NASDAQ may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the NASDAQ, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our board may determine.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of our ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by an ordinary resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares issued and outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. The rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series) may be varied with the consent in writing of all the holders of the issued shares of that class or series or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class or series. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Issuance of Additional Shares. Our post-offering amended and restated memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our post-offering amended and restated memorandum and articles of association also authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements.

Anti-Takeover Provisions. Some provisions of our post-offering amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our post-offering amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

General Meetings of Shareholders and Shareholder Proposals. Our shareholders' general meetings may be held in such place within or outside the Cayman Islands as our board of directors considers appropriate.

As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. Our post-offering amended and restated memorandum and articles of association provide that we shall in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors or our chairman. Our board of directors shall give no less than ten clear days' written notice of a shareholders' meeting to those persons whose names appear as members in our register of members on the date the notice is given (or on any other date determined by our directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Exempted Company. We are an exempted company with limited liability under the Companies Law. The Companies Law distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company", "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" in and "Item 10. Additional Information—C. Material Contracts" or elsewhere in this annual report.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Exchange” and “—Regulations on Dividend Distribution.”

E. Taxation

The following summary of the material Cayman Islands, Hong Kong, the PRC and United States federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under United States state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, Hong Kong, the PRC and the United States.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us or our shareholders or ADS holders levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People’s Republic of China Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within the PRC is considered a resident enterprise. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation 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 applies only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the term “de facto management body” 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 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 that iClick Interactive Asia Group Limited is not a PRC resident enterprise for PRC tax purposes. iClick Interactive Asia Group Limited is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that iClick Interactive Asia Group Limited meets all of the conditions above. iClick Interactive Asia Group Limited is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. 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.”

If the PRC tax authorities determine that iClick Interactive Asia Group Limited is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a tax at the rate of 10% (or other preferential rates in the applicable tax treaty) from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which in the case of dividends would be withheld at source) unless a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of iClick Interactive Asia Group Limited would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that iClick Interactive Asia Group Limited is treated as a PRC resident enterprise.

In January 2009, the State Administration of Taxation promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, pursuant to which the entities that have the direct obligation to make certain payments to a non-resident enterprise should act as withholding agents for the non-resident enterprise, and such payments include: income from equity investments (including dividends and other return on investment), interest, rents, royalties and income from assignment of property as well as other incomes subject to enterprise income tax received by non-resident enterprises in China. Further, the measures provide that in case of an equity transfer between two non-resident enterprises which occurs outside China, the non-resident enterprise which receives the equity transfer payment must, by itself or engage an agent to, file tax declaration with the PRC tax authority located at place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred should assist the tax authorities to collect taxes from the relevant non-resident enterprise.

United States Federal Income Tax Considerations

The following is a summary of material U.S. federal income tax considerations that are likely to be relevant to the purchase, ownership and disposition of our ordinary shares or ADSs by a U.S. Holder (as defined below).

This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial interpretations thereof, in force as of the date hereof. Those authorities may be changed at any time, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below.

This summary is not a comprehensive discussion of all of the tax considerations that may be relevant to a particular investor’s decision to purchase, hold, or dispose of ordinary shares or ADSs. In particular, this summary is directed only to U.S. Holders that hold ordinary shares or ADSs as capital assets and does not address all of the tax consequences to U.S. Holders who may be subject to special tax rules, such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, life insurance companies, tax exempt entities, partnerships (including any entities treated as partnerships for U.S. tax purposes) and the partners therein, holders that own or are treated as owning 10% or more of our shares (measured by voting power or value), persons holding ordinary shares or ADSs as part of a hedging or conversion transaction or a straddle, or persons whose functional currency is not the U.S. dollar. Moreover, this summary does not address state, local or non-U.S. taxes, the U.S. federal estate and gift taxes, or the Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders, or alternative minimum tax consequences of acquiring, holding or disposing of ordinary shares or ADSs.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of ordinary shares or ADSs that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such ordinary shares or ADSs.

You should consult your own tax advisors about the consequences of the acquisition, ownership and disposition of the ordinary shares or ADSs, including the relevance to your particular situation of the considerations discussed below and any consequences arising under non-U.S., state, local or other tax laws.

ADSs

In general, if you are a U.S. Holder of ADSs, you will be treated, for U.S. federal income tax purposes, as the beneficial owner of the underlying ordinary shares that are represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom ADSs are released before the underlying shares are delivered to the depository (“pre-release”), or intermediaries in the chain of ownership between holders of ADSs and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of PRC taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries.

Taxation of Dividends

Subject to the discussion below under “Passive Foreign Investment Company Rules,” the gross amount of any distribution of cash or property with respect to our ordinary shares or ADSs that is paid out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) will generally be includible in your taxable income as ordinary dividend income on the day on which you receive the dividend, in the case of ordinary shares, or the date the depository receives the dividends, in the case of ADSs, and will not be eligible for the dividends-received deduction allowed to U.S. corporations under the Code.

We do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

Subject to certain exceptions for short-term positions, the dividends received by an individual with respect to the ordinary shares or ADSs will be subject to taxation at a preferential rate if the dividends are “qualified dividends.” Dividends paid on the ordinary shares or ADSs will be treated as qualified dividends if:

- the ordinary shares or ADSs are readily tradable on an established securities market in the United States or we are eligible for the benefits of a comprehensive tax treaty with the United States that the U.S. Treasury determines is satisfactory for purposes of this provision and that includes an exchange of information program; and
- we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC.

The ADSs will be listed on the NASDAQ Global Market, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2018 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and our market capitalization, we do not anticipate becoming a PFIC for our current taxable year or in the foreseeable future, as discussed under “Passive Foreign Investment Company Rules.” Holders should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Because the ordinary shares are not themselves listed on a U.S. exchange, dividends received with respect to the ordinary shares that are not represented by ADSs may not be treated as qualified dividends. U.S. Holders of ordinary shares or ADSs should consult their own tax advisors regarding the potential availability of the reduced dividend tax rate on shares in the light of their own particular circumstances.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “Item 10. Additional Information—E. Taxation — People’s Republic of China Taxation”), a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares. In that case, we may, however, be eligible for the benefits of the Agreement Between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “Treaty”). If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described above. Dividend distributions with respect to our ordinary shares or ADSs generally will be treated as “passive category” income from sources outside the United States for purposes of determining a U.S. Holder’s U.S. foreign tax credit limitation. Subject to the limitations and conditions provided in the Code and the applicable U.S. Treasury Regulations, a U.S. Holder may be able to claim a foreign tax credit against its U.S. federal income tax liability in respect of any PRC income taxes withheld at the appropriate rate applicable to the U.S. Holder from a dividend paid to such U.S. Holder. Alternatively, the U.S. Holder may deduct such PRC income taxes from its U.S. federal taxable income, provided that the U.S. Holder elects to deduct rather than credit all foreign income taxes for the relevant taxable year. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. Holder’s particular circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or the deductibility of foreign taxes under their particular circumstances.

U.S. Holders that receive distributions of additional ADSs or ordinary shares or rights to subscribe for ADSs or ordinary shares as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax in respect of the distributions.

Taxation of Dispositions of ADSs or Ordinary Shares

Subject to the discussion above under “Passive Foreign Investment Company Rules,” if a U.S. Holder realizes gain or loss on the sale, exchange or other disposition of ADSs or ordinary shares, that gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the ADS or ordinary shares have been held for more than one year. Long-term capital gain realized by a U.S. Holder that is an individual generally is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

Gain, if any, realized by a U.S. Holder on the sale or other disposition of the ADSs or ordinary shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a PRC withholding tax is imposed on the sale or disposition of the shares, a U.S. Holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of such PRC taxes. However, in the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC, we may be eligible for the benefits of the Treaty, in which case, such gain may be treated as PRC source gain under Treaty. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the ADSs or ordinary shares.

Deposits and withdrawals of ordinary shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if either

- 75 percent or more of our gross income for the taxable year is passive income; or
- the average percentage of the value of our assets (including assets of subsidiaries in which we own at least 25 percent of the stock) that produce or are held for the production of passive income is at least 50 percent. Although the law in this regard is not entirely clear, we treat our consolidated variable interest entities as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with these entities.

We expect to derive sufficient active revenues and to have sufficient active assets, so that we will not be classified as a PFIC for the current taxable year or in the foreseeable future. However, because the PFIC tests must be applied each year, and the composition of our income and assets and value of our assets (which may be determined by reference to the market value of our ADSs) may change, and because the treatment of our VIE for U.S. federal income tax purposes is not entirely clear, it is possible that we may become a PFIC in the current or a future year. In the event that, contrary to our expectation, we are classified as a PFIC in any year and a U.S. Holder does not make a mark-to-market election, as described in the following paragraph, the holder will be subject to a special tax at ordinary income tax rates on “excess distributions,” including certain distributions by us and gain that the holder recognizes on the sale of our ordinary shares or ADSs. The amount of income tax on any excess distributions will be increased by an interest charge to compensate for tax deferral, calculated as if the excess distributions were earned ratably over the period that the U.S. Holder holds its ordinary shares or ADSs. Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of his or her ordinary shares or ADSs at death.

A U.S. Holder can avoid the unfavorable rules described in the preceding paragraph by electing to mark its ordinary shares or ADSs to market. If the U.S. Holder makes this mark-to-market election, the holder will be required in any year in which we are a PFIC to include as ordinary income the excess of the fair market value of the shares at year-end over the holder's basis in those shares. In addition, any gain the U.S. Holder recognizes upon the sale of the holder's ADSs or ordinary shares will be taxed as ordinary income in the year of sale.

A U.S. Holder that owns an equity interest in a PFIC must annually file IRS Form 8621. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of the U.S. Holder's taxable years for which such form is required to be filed. As a result, the taxable years with respect to which the U.S. Holder fails to file the form may remain open to assessment by the IRS indefinitely, until the form is filed.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax considerations discussed above and the desirability of making a mark-to-market election.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals that own "specified foreign financial assets" with an aggregate value in excess of US\$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the ordinary shares and the ADSs) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders that fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the ADSs, including the application of the rules to their particular circumstances.

Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, the ADSs or ordinary shares to a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the U.S. Internal Revenue Service in a timely manner.

A holder that is a foreign corporation or a non-resident alien individual may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish JPMorgan Chase Bank, N.A., the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, inflation as measured by the consumer price index in China was 2.0%, 1.6% and 3.7% in 2016, 2017 and 2018, respectively.

Quantitative and Qualitative Disclosures about Market Risk

Foreign Exchange Risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities. A significant portion of our revenue-generating transactions and expense-related transactions are denominated in Renminbi, which is the functional currency of our subsidiaries, VIE and its subsidiaries in China. Our commercial transactions outside China are primarily denominated in U.S. dollars and Hong Kong dollars, which are pegged to U.S. dollars. We do not hedge against currency risk.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. The depreciation of Renminbi against the U.S. dollar was approximately 6.7% in 2016, while the Renminbi appreciated 6.7% against the U.S. dollar in 2017. In 2018, the Renminbi has, again, depreciated 5.4% against the U.S. dollar. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system. Accordingly, it is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. In addition, the People's Bank of China may, from time to time, release policies and measures concerning the foreign exchange market to limit fluctuations in Renminbi exchange rates and for other policy considerations.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debts, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

As of December 31, 2018, we had Renminbi-denominated cash and cash equivalents, accounts receivable, prepaid cost and deferred revenue of RMB61.3 million, RMB409.5 million, RMB131.6 million and RMB172.1 million, respectively. We estimate that a 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2018 would result in a change of our holding U.S. dollar equivalents of US\$(0.8) million, US\$(5.4) million, US\$(1.7) million and US\$2.3 million for cash and cash equivalents, accounts receivable, prepaid cost and deferred revenue, respectively.

In addition, we estimate that a 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2016 would result in a decrease of US\$6.7 million and US\$5.3 million in our net revenues and cost of revenues in 2016, respectively, a 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2017 would result in a decrease of US\$10.4 million and US\$9.4 million in our net revenues and cost of revenues in 2017, respectively, and a 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2018 would result in a decrease of US\$14.1 million and US\$11.6 million in our net revenues and cost of revenues in 2018.

Certain of our operating activities are transacted in HK dollars. We consider the foreign exchange risk in relation to transactions denominated in HK dollars with respect to U.S. dollars is not significant as HK dollar is pegged to U.S. dollar.

Interest Rate Risk

Our main interest rate exposure relates to bank borrowings. We also have interest-bearing assets, including cash and cash equivalents, short-term investments and restricted cash. We manage our interest rate exposure with a focus on reducing our overall cost of debt and exposure to changes in interest rates. All of the aggregate principal outstanding amount of our bank borrowings as of December 31, 2018 was at floating rates.

As of December 31, 2018, if interest rates increased/decreased by 1%, with all other variables having remained constant, and assuming the amount of bank borrowings outstanding at the end of the year was outstanding for the entire year, our net loss would have been US\$94,395 higher/lower, respectively. These were mainly as a result of higher/lower interest expense for our bank borrowings at floating rates.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, \$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of up to US\$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of US\$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- an aggregate fee of up to US\$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the \$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares, ADRs or deposited securities;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- in connection with the conversion of foreign currency into U.S. dollars, JPMorgan Chase Bank, N.A. ("JPMorgan") shall deduct out of such foreign currency the fees, expenses and other charges charged by it and/or its agent (which may be a division, branch or affiliate) so appointed in connection with such conversion.

JPMorgan and/or its agent may act as principal for such conversion of foreign currency.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Fees and Other Payments Made by the Depositary to Us

The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary. For the year ended December 31, 2018, we received US\$0.8 million reimbursement, after deduction of applicable U.S. taxes, from the depositary.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A-D. Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information—B. Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

A. Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number 333-221034) (the “F-1 Registration Statement”) in relation to our initial public offering of 3,750,000 ADSs representing 1,875,000 Class A ordinary shares, at an initial offering price of US\$8.00 per ADS. Our initial public offering closed in December 2017. Roth Capital Partners, LLC was the representative of the underwriters for our initial public offering.

For the period from December 21, 2017, the date that the Form F-1 was declared effective by the SEC, to December 31, 2018, we had used the net proceeds from our initial public offering as follows:

- approximately US\$5 million of the net proceeds for research and development and expansion of our suite of solutions and service offerings; and
- approximately US\$5 million of the net proceeds for sales and marketing.

We intend to use the remainder of the proceeds from our initial public offering, as disclosed in our registration statement on Form F-1, for (i) research and development and expansion of our suite of solutions and service offerings, and (ii) funding our working capital and other general corporate purposes.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of December 31, 2018. Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP. Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria established within the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 framework). Based on this assessment, our management has concluded that, as of December 31, 2018, our internal control over financial reporting was not effective. We and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting. These two material weaknesses identified relate to (1) the lack of sufficient accounting personnel with appropriate understanding of U.S. GAAP and SEC reporting requirements, and (2) the lack of a comprehensive accounting policies and procedures manual to facilitate preparation of U.S. GAAP financial statements, which inhibits our subsidiaries' ability to prepare consolidation from local books based on PRC GAAP and Hong Kong Financial Reporting Standards to their U.S. GAAP basis information for group financial reporting and imposes a risk that adjustments to U.S. GAAP are not identified in a timely manner. To remediate these two weaknesses, we have adopted a few measures to improve our internal control over financial reporting. In particular, we are in the process of hiring additional accounting staff with an appropriate understanding of U.S. GAAP and SEC reporting requirements. We are also in the progress of establishing a comprehensive accounting policies and procedures manual for accounting and operation staff and providing trainings in relation to these policies and procedures.

Attestation Report of the Independent Registered Public Accounting Firm

Since we are an "emerging growth company" as defined under the JOBS Act, our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting as we are exempt from the requirement to comply with the auditor attestation requirements that our independent registered public accounting firm attest to and report on the effectiveness of our internal control structure and procedures for financial reporting.

Changes in Internal Control over Financial Reporting

Other than the above, there have not been any changes in our internal control over financial reporting in the year ended December 31, 2018, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Honnus Cheung, an independent director, is our audit committee financial expert. Honnus Cheung satisfies the independent requirements of the Rule 5605(c)(2) of the Listing Rules of the NASDAQ Stock Market and meet the independence standards under Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in December 2018. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.i-click.com>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers, our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	2017	2018
	(US\$)	
	(in thousands)	
Audit fees ⁽¹⁾	1,476	1,050
Tax fees ⁽²⁾	13	14
Audit related fees ⁽³⁾	—	260

(1) “Audit fees” means the aggregate fees billed for professional services rendered by our principal auditors for the audit of our annual financial statements and the review of our comparative interim financial statements, including audit fees relating to our initial public offering in 2017.

(2) “Tax fees” include fees billed for tax compliance and tax consultations.

(3) “Audit-related fees” represent the aggregate fees billed in each of the fiscal years listed for the assurance and related services rendered by our principal auditors that are reasonably related to the performance of the audit or review of our financial statements and not reported under “Audit fees.”

The policy of our audit committee is to pre-approve all audit and other service provided by PricewaterhouseCoopers as described above, other than those for de minimis services which are approved by the Audit Committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On November 28, 2018, we announced a share repurchase program in which we may purchase our own ADSs with an aggregate value of up to US\$10 million over the next 12-month period, ending November 27, 2019. On March 27, 2019, we entered into a trading plan with an authorized brokerage firm in the U.S. for the purpose of repurchasing our issued and outstanding ADSs in accordance with Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended, and has been established pursuant to, and as part of, the US\$10 million share buyback program that was previously authorized by our board of directors on November 28, 2018.

We expect to fund the repurchase from existing cash balance, including cash generated from its operations. We expect to effect the proposed share repurchase on the open market at prevailing market prices, in negotiated transactions off the market, and/or in other legally permissible means from time to time as market conditions warrant in compliance with applicable requirements of Rule 10b5-1 and/or Rule 10b-18 under the U.S. Securities Exchange Act of 1934, as amended, at times and in such amounts as we deem appropriate. The share repurchase program does not obligate us to acquire any particular number of ADSs and may be suspended, terminated or extended at any time at our discretion without prior notice.

The total remaining share repurchase authorization at December 31, 2018 was US\$9.96 million.

Period	(a) Total Number of ADSs Purchased	(b) Average Price Paid per ADS (US\$)	(c) Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of ADSs that May Yet be Purchased Under the Plans or Programs (in US\$ million)
December 1 to December 31, 2018	10,000	3.7175	10,000	9.96
Total	10,000	3.7175	10,000	9.96

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the NASDAQ Global Market, we are subject to the NASDAQ corporate governance requirements. However, NASDAQ Global Market rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ corporate governance requirements. We follow our home country practices and rely on certain exemptions provided by the Nasdaq Stock Market Rules to a foreign private issuer, including exemptions from the requirements to have:

- shareholder approval for certain events, including the establishment or amendment of certain equity based compensation plans and arrangements and certain transactions involving issuances of a 20% or more interest in our company;
- majority of independent directors on our board of directors;
- only independent directors being involved in the selection of director nominees and determination of executive officer compensation; and
- regularly scheduled executive sessions of independent directors.

As a result of our reliance on the corporate governance exemptions available to foreign private issuers, you will not have the same protection afforded to shareholders of companies that are subject to all of Nasdaq’s corporate governance requirements. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our American Depositary Shares—We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.”

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

See pages beginning on page F-1 in this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1*	Ninth Amended and Restated Memorandum and Articles of Association, as currently in effect
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated by reference to Exhibit 4.2 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
2.3	Form of Deposit Agreement among the Registrant, the depository and holder of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 of our Registration Statement on Form F-1/A (file No. 333-221034) filed with the Securities and Exchange Commission on December 1, 2017)
2.5	Fourth Amended and Restated Shareholders Agreement dated December 28, 2016 (incorporated by reference to Exhibit 10.2 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
4.1	English translation of Exclusive Business Cooperation Agreement between OptAim Beijing, OptAim Network and Zhiyunzhong dated January 16, 2015 (incorporated by reference to Exhibit 10.3 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
4.2	English translation of Second Amended and Restated Exclusive Call Option Agreement among OptAim Beijing, OptAim Network and the shareholders of OptAim Network dated May 26, 2017 (incorporated by reference to Exhibit 10.4 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
4.3	English translation of Second Amended and Restated Equity Pledge Agreement among OptAim Beijing, OptAim Network and the shareholders of OptAim Network dated May 26, 2017 (incorporated by reference to Exhibit 10.5 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
4.4	English translation of Irrevocable Powers of Attorney granted by the Jian Tang and Jie Jiao dated May 26, 2017 (incorporated by reference to Exhibit 10.6 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
4.5	English translation of Spousal Consents granted by Xinyu Fan dated May 26, 2017 (incorporated by reference to Exhibit 10.7 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
4.6	2018 Share Incentive Plan (incorporated by reference to Exhibit 10.2 of our Registration Statement on Form S-8 (file No. 333-225568) filed with the Securities and Exchange Commission on June 12, 2018)

[Table of Contents](#)

4.7	Form of Indemnification Agreement with Executive Officers and Directors (incorporated by reference to Exhibit 10.9 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
4.8	Form of Employment Agreement and One Way Non-disclosure Agreement with Executive Officers (incorporated by reference to Exhibit 10.10 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
4.9	Post-IPO Share Incentive Plan, as amended and restated on September 22, 2018 (incorporated by reference to Exhibit 10.1 of our Registration Statement on Form S-8 (file No. 333-227747) filed with the Securities and Exchange Commission on October 9, 2018)
4.10*	English Translation of 2019 Tencent Advertising Services Agreement for Performance Business
4.11*	English Translation of 2019 Tencent Advertising Services Agreement for Branding Business
4.12*	Convertible Note Purchase Agreement with LIM Asia Multi-Strategy Fund Inc. dated September 10, 2018
4.13*	Amendment No. 1 to the Mandatory Convertible Note Due 2023 dated December 18, 2018
8.1*	Subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 of our Registration Statement on Form F-1 (file No. 333-221034) filed with the Securities and Exchange Commission on October 20, 2017)
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Traver Thorp Alberga
15.2*	Consent of Jingtian & Gongcheng
15.3*	Consent of PricewaterhouseCoopers
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this annual report on Form 20-F

** Furnished with this annual report on Form 20-F

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on this Form 20-F on its behalf.

iClick Interactive Asia Group Limited

By: /s/ Wing Hong Sammy Hsieh
Name: Wing Hong Sammy Hsieh
Title: Chairman and Chief Executive Officer

Date: April 25, 2019

iCLICK INTERACTIVE ASIA GROUP LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Pages</u>
Audited Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2017 and 2018	F-3 – F-5
Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2016, 2017 and 2018	F-6
Consolidated Statements of Changes in Shareholders' (Deficit)/Equity for the Years Ended December 31, 2016, 2017 and 2018	F-7 – F-9
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2017 and 2018	F-10 – F-11
Notes to the Consolidated Financial Statements	F-12 – F-70

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of iClick Interactive Asia Group Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of iClick Interactive Asia Group Limited and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive loss, changes in shareholders’ (deficit)/equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenue from contracts with customers, and the manner in which it accounts for restricted cash in 2018.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ **PricewaterhouseCoopers**

Hong Kong
April 25, 2019

We have served as the Company’s auditor since 2016.

iCLICK INTERACTIVE ASIA GROUP LIMITED

**CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	Note	As of December 31,	
		2017	2018
Assets			
Current assets			
Cash and cash equivalents	5	19,401	39,828
Time deposit	5	25,000	—
Short-term investments	2(j)	—	17,427
Accounts receivable, net of allowance for doubtful receivables of US\$1,478 and US\$1,507 as of December 31, 2017 and 2018, respectively	7	40,798	65,627
Rebates receivable		1,334	4,067
Prepaid media costs		37,784	19,107
Other current assets	8	3,107	3,242
Income tax receivable		3	—
Total current assets		127,427	149,298
Non-current assets			
Deferred tax assets	22	850	1,153
Property and equipment, net	9	1,165	329
Long-term investment	6	—	503
Intangible assets, net	10	10,600	7,247
Goodwill	11	48,496	48,496
Other assets	8	284	232
Total non-current assets		61,395	57,960
Total assets		188,822	207,258

The accompanying notes are an integral part of these consolidated financial statements.

iCLICK INTERACTIVE ASIA GROUP LIMITED

CONSOLIDATED BALANCE SHEETS (CONTINUED)**AS OF DECEMBER 31, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	<u>Note</u>	<u>As of December 31,</u>	
		<u>2017</u>	<u>2018</u>
Liabilities and equity			
Current liabilities			
Accounts payable (including accounts payable of the consolidated variable interest entity (“VIE”) and its subsidiaries without recourse to the Company of US\$29 and US\$45 as of December 31, 2017 and 2018, respectively)		3,904	6,557
Deferred revenue (including deferred revenue of the consolidated VIE and its subsidiaries without recourse to the Company of US\$5,986 and US\$1,300 as of December 31, 2017 and 2018, respectively)	12	33,037	27,191
Accrued liabilities and other current liabilities (including accrued liabilities and other current liabilities of the consolidated VIE and its subsidiaries without recourse to the Company of US\$804 and US\$1,776 as of December 31, 2017 and 2018, respectively)	13	16,129	16,348
Bank borrowings	14	10,486	9,439
Convertible notes at fair value	15	—	34,837
Income tax payable		2,123	2,779
Total current liabilities		<u>65,679</u>	<u>97,151</u>
Non-current liabilities			
Other liabilities	13	—	673
Deferred tax liabilities	22	3,159	2,794
Total non-current liabilities		<u>3,159</u>	<u>3,467</u>
Total liabilities		<u>68,838</u>	<u>100,618</u>
Commitments and contingencies	26		

The accompanying notes are an integral part of these consolidated financial statements.

iCLICK INTERACTIVE ASIA GROUP LIMITED**CONSOLIDATED BALANCE SHEETS (CONTINUED)****AS OF DECEMBER 31, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	<u>Note</u>	<u>As of December 31,</u>	
		<u>2017</u>	<u>2018</u>
Equity			
Ordinary shares — Class A (US\$0.001 par value; 80,000,000 shares authorized as of December 31, 2017 and 2018, respectively; 21,238,825 and 23,166,092 shares issued and outstanding as of December 31, 2017 and 2018, respectively)	18	21	23
Ordinary shares — Class B (US\$0.001 par value; 20,000,000 shares authorized as of December 31, 2017 and 2018, respectively; 4,820,608 shares issued and outstanding as of December 31, 2017 and 2018, respectively)	18	5	5
Treasury shares (2,123,382 and 1,363,860 shares as of December 31, 2017 and 2018, respectively)	18	(2,093)	(576)
Additional paid-in capital		274,294	293,072
Statutory reserves		81	81
Accumulated other comprehensive losses		(3,320)	(5,867)
Accumulated deficit		(149,004)	(181,413)
Total iClick Interactive Asia Group Limited shareholders' equity		119,984	105,325
Non-controlling interest		—	1,315
Total equity		<u>119,984</u>	<u>106,640</u>
Total liabilities and equity		<u>188,822</u>	<u>207,258</u>

The accompanying notes are an integral part of these consolidated financial statements.

iCLICK INTERACTIVE ASIA GROUP LIMITED**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	Note	For the years ended December 31,		
		2016	2017	2018
Net revenues		95,357	125,258	160,017
Cost of revenues		(61,048)	(95,733)	(120,897)
Gross profit		34,309	29,525	39,120
Operating expenses				
Research and development expenses		(8,584)	(5,778)	(10,737)
Sales and marketing expenses		(28,266)	(25,935)	(32,080)
General and administrative expenses		(26,767)	(12,983)	(23,757)
Total operating expenses		(63,617)	(44,696)	(66,574)
Operating loss		(29,308)	(15,171)	(27,454)
Interest income		—	—	421
Interest expense		(713)	(551)	(773)
Other (losses)/gains, net	21	(1,082)	1,841	687
Fair value gains/(losses) on derivative liabilities	16	3,995	(10,190)	—
Fair value losses on convertible notes	15	—	—	(4,837)
Loss before income tax expense		(27,108)	(24,071)	(31,956)
Income tax expense	22	(222)	(548)	(655)
Net loss		(27,330)	(24,619)	(32,611)
Net loss attributable to non-controlling interest		—	—	202
Net loss attributable to iClick Interactive Asia Group Limited		(27,330)	(24,619)	(32,409)
Accretion to convertible redeemable preferred shares redemption value		(773)	(1,662)	—
Accretion to redeemable ordinary shares redemption value		(1,556)	(3,650)	—
Net loss attributable to iClick Interactive Asia Group Limited's ordinary shareholders		(29,659)	(29,931)	(32,409)
Net loss		(27,330)	(24,619)	(32,611)
Other comprehensive loss:				
Foreign currency translation adjustment, net of US\$nil tax		(139)	(79)	(2,547)
Comprehensive loss		(27,469)	(24,698)	(35,158)
Comprehensive loss attributable to non-controlling interest		—	—	202
Comprehensive loss attributable to iClick Interactive Asia Group Limited		(27,469)	(24,698)	(34,956)
Net loss per share attributable to iClick Interactive Asia Group Limited				
- Basic	23	(2.26)	(2.15)	(1.23)
- Diluted	23	(2.26)	(2.15)	(1.23)
Weighted average number of ordinary shares used in per share calculation:				
- Basic	23	13,151,063	13,931,503	26,452,409
- Diluted	23	13,151,063	13,931,503	26,452,409

The accompanying notes are an integral part of these consolidated financial statements.

iCLICK INTERACTIVE ASIA GROUP LIMITED

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	Ordinary shares		Treasury shares		Additional paid- in capital	Accumulated deficit	Statutory reserves	Accumulated other comprehensive losses	Total shareholders' deficit
	Number of shares	Amount	Number of shares	Amount					
Balance as of December 31, 2015	13,104,300	13	2,654,188	(9,783)	53,917	(97,055)	81	(3,102)	(55,929)
Reissuance of treasury shares as share-based compensation	436,773	1	(436,773)	6,328	(6,329)	—	—	—	—
Reissuance of treasury shares upon exercise of employee share options	68,135	—	(68,135)	987	(816)	—	—	—	171
Share-based compensation expense	—	—	—	—	21,244	—	—	—	21,244
Preferred shares accretion	—	—	—	—	(773)	—	—	—	(773)
Redeemable ordinary shares accretion	—	—	—	—	(1,556)	—	—	—	(1,556)
Net loss for the year	—	—	—	—	—	(27,330)	—	—	(27,330)
Foreign currency translation	—	—	—	—	—	—	—	(139)	(139)
Balance as of December 31, 2016	<u>13,609,208</u>	<u>14</u>	<u>2,149,280</u>	<u>(2,468)</u>	<u>65,687</u>	<u>(124,385)</u>	<u>81</u>	<u>(3,241)</u>	<u>(64,312)</u>

The accompanying notes are an integral part of these consolidated financial statement.

iCLICK INTERACTIVE ASIA GROUP LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

(US\$'000, except share data and per share data, or otherwise noted)

	Ordinary shares		Treasury shares		Additional paid-in capital	Accumulated deficit	Statutory reserves	Accumulated other comprehensive losses	Total shareholders' (deficit)/equity
	Number of shares	Amount	Number of shares	Amount					
Balance as of December 31, 2016	13,609,208	14	2,149,280	(2,468)	65,687	(124,385)	81	(3,241)	(64,312)
Reissuance of treasury shares upon exercise of employee share options	25,898	—	(25,898)	375	(315)	—	—	—	60
Share-based compensation expense	—	—	—	—	5,072	—	—	—	5,072
Preferred shares accretion	—	—	—	—	(1,662)	—	—	—	(1,662)
Redeemable ordinary shares accretion	—	—	—	—	(3,650)	—	—	—	(3,650)
Derecognition of derivative liabilities	—	—	—	—	71,074	—	—	—	71,074
Issuance of ordinary shares upon Initial public offering ("IPO")	2,156,250	2	—	—	28,403	—	—	—	28,405
Conversion of preferred shares to Class A ordinary shares	10,268,077	10	—	—	109,685	—	—	—	109,695
Net loss for the year	—	—	—	—	—	(24,619)	—	—	(24,619)
Foreign currency translation	—	—	—	—	—	—	—	(79)	(79)
Balance as of December 31, 2017	<u>26,059,433</u>	<u>26</u>	<u>2,123,382</u>	<u>(2,093)</u>	<u>274,294</u>	<u>(149,004)</u>	<u>81</u>	<u>(3,320)</u>	<u>119,984</u>

The accompanying notes are an integral part of these consolidated financial statement.

iCLICK INTERACTIVE ASIA GROUP LIMITED

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	Ordinary shares		Treasury shares		Additional paid-in capital	Accumulated deficit	Statutory reserves	Accumulated other comprehensive losses	Total iClick Interactive Asia Group Limited shareholders' equity	Non- controlling interests	Total shareholders' equity
	Number of shares	Amount	Number of shares	Amount							
Balance as of											
December 31, 2017	26,059,433	26	2,123,382	(2,093)	274,294	(149,004)	81	(3,320)	119,984	—	119,984
Reissuance of treasury shares upon exercise of employee share options and vesting of restricted share units ("RSUs")	764,522	1	(764,522)	1,554	(900)	—	—	—	655	—	655
Share-based compensation expense	—	—	—	—	19,679	—	—	—	19,679	—	19,679
RSUs vested	1,162,745	1	—	—	(1)	—	—	—	—	—	—
Business combination	—	—	—	—	—	—	—	—	—	1,517	1,517
Repurchase of ordinary shares	—	—	5,000	(37)	—	—	—	—	(37)	—	(37)
Net loss for the year	—	—	—	—	—	(32,409)	—	—	(32,409)	(202)	(32,611)
Foreign currency translation	—	—	—	—	—	—	—	(2,547)	(2,547)	—	(2,547)
Balance as of											
December 31, 2018	<u>27,986,700</u>	<u>28</u>	<u>1,363,860</u>	<u>(576)</u>	<u>293,072</u>	<u>(181,413)</u>	<u>81</u>	<u>(5,867)</u>	<u>105,325</u>	<u>1,315</u>	<u>106,640</u>

The accompanying notes are an integral part of these consolidated financial statement.

iCLICK INTERACTIVE ASIA GROUP LIMITED**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	For the years ended December 31,		
	2016	2017	2018
Cash flows from operating activities			
Net loss	(27,330)	(24,619)	(32,611)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities			
Depreciation of property and equipment	1,512	1,363	1,059
Amortization of intangible assets	4,312	4,221	4,167
Loss on disposal of property and equipment	—	—	32
Gain on bargain purchase	—	—	(285)
Allowance for doubtful accounts	99	910	92
Recovery of doubtful debts previously provided for	—	(40)	—
Share-based compensation	21,244	5,072	19,679
Fair value (gains)/losses on derivative liabilities	(3,995)	10,190	—
Fair value losses on convertible notes	—	—	4,837
Convertible notes transaction expenses	—	—	2,190
Deferred tax	(1,021)	(714)	(906)
Changes in operating assets and liabilities, net			
Accounts receivable	(2,330)	(9,816)	(25,514)
Prepayments and other assets	881	46	4,380
Accrued liabilities and other current liabilities	284	644	(5,301)
Deferred revenue	10,763	5,750	(5,915)
Rebates receivables	1,392	935	(2,734)
Prepaid media costs	(9,617)	(2,491)	18,534
Accounts payable	(2,036)	(5,478)	2,693
Income tax payable	1,935	146	187
Net cash used in operating activities	<u>(3,907)</u>	<u>(13,881)</u>	<u>(15,416)</u>
Cash flows from investing activities			
Prepayment of property and equipment	(122)	—	—
Purchase of property and equipment	(884)	(148)	(249)
Purchase of intangible assets	(22)	(17)	(120)
Decrease/(increase) in short-term investments	1,552	—	(17,427)
Increase in long-term investment	—	—	(503)
(Increase)/decrease in time deposit	—	(25,000)	25,000
Acquisition of business, net of cash received	—	—	1,694
Net cash provided by/(used in) investing activities	<u>524</u>	<u>(25,165)</u>	<u>8,395</u>

The accompanying notes are an integral part of these consolidated financial statements.

iCLICK INTERACTIVE ASIA GROUP LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	For the years ended December 31,		
	2016	2017	2018
Cash flows from financing activities			
Proceeds from issuance of Series E convertible redeemable preferred shares	20,000	—	—
Proceeds from exercise of share options	171	60	656
Proceeds from bank borrowings	8,232	5,897	2,229
Repayments of bank borrowings	(3,793)	(8,816)	(2,883)
Repayment of amounts due to related parties	(46)	—	—
Net proceeds from issuance of ordinary shares upon IPO	—	28,405	—
Proceeds from issuance of convertible notes, net of transaction expenses	—	—	27,810
Repurchase of ordinary shares	—	—	(37)
Net cash provided by financing activities	<u>24,564</u>	<u>25,546</u>	<u>27,775</u>
Net increase/(decrease) in cash and cash equivalents and restricted cash	21,181	(13,500)	20,754
Cash and cash equivalents and restricted cash at the beginning of year	11,395	32,514	19,401
Effect on exchange rate changes on cash and cash equivalents and restricted cash	(62)	387	(327)
Cash and cash equivalents and restricted cash at the end of year	<u>32,514</u>	<u>19,401</u>	<u>39,828</u>
Supplemental disclosure of cash flow information:			
Interests paid	(713)	(582)	(694)
Cash refunded/(paid) for income taxes	665	(1,119)	(1,019)
Non-cash investing and financing activities:			
Accretion to Series A preferred shares redemption value	110	235	—
Accretion to Series B preferred shares redemption value	662	1,427	—
Accretion to redeemable ordinary shares redemption value	1,556	3,650	—
IPO costs in form of other payables	—	1,724	—
Supplemental disclosure of cash flow information:			
Reconciliation of cash and cash equivalents and restricted cash within the consolidated balance sheets to the amounts shown in the consolidated statements of cash flows above:			
Cash and cash equivalents	27,280	19,401	39,828
Restricted cash, current	5,234	—	—
	<u>32,514</u>	<u>19,401</u>	<u>39,828</u>

The accompanying notes are an integral part of these consolidated financial statements.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

1 Organization and principal activities**(a) Organization and nature of operation**

iClick Interactive Asia Group Limited (the “Company”) and its subsidiaries are collectively referred to as the Group. The Company was incorporated under the law of Cayman Islands as a limited company on February 3, 2010. The Group is principally engaged in the provision of online marketing services. The Group’s principal operations and geographic market are in Greater China and have offices in Hong Kong and the People’s Republic of China (“the PRC”). There are also sales teams in Singapore, Taiwan and the United Kingdom.

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries and consolidated VIEs and the VIE’s subsidiaries (defined in Note 1(b)) as follows:

<u>Name</u>	<u>Relationship</u>	<u>% of direct or indirect economic ownership</u>	<u>Date of incorporation</u>	<u>Place of incorporation/ establishment</u>	<u>Principal activities</u>
Digital Marketing Group Limited	Subsidiary	100%	October 2006	Hong Kong	Dormant
Tetris Media Limited	Subsidiary	100%	July 2007	Hong Kong	Internet marketing services and solutions
iClick Interactive Asia Limited	Subsidiary	100%	December 2008	Hong Kong	Internet marketing services and solutions
Optimix Media Asia Limited	Subsidiary	100%	March 2009	Hong Kong	Investment holding
China Search (Asia) Limited	Subsidiary	100%	September 2010	Hong Kong	Internet marketing services and solutions
Diablo Holdings Corporation	Subsidiary	100%	August 2010	British Virgin Islands (“BVI”)	Investment holding
Harmattan Capital Holdings Corporation	Subsidiary	100%	August 2010	BVI	Investment holding
iClick Interactive (Singapore) Pte. Ltd.	Subsidiary	100%	January 2011	Singapore	Internet marketing services and solutions
iClick Interactive (Beijing) Advertisement Co., Ltd	Subsidiary	100%	January 2011	The PRC	Internet marketing services and solutions
Search Asia Technology (Shenzhen) Co., Ltd.	Subsidiary	100%	January 2011	The PRC	Internet marketing services and solutions
i-Click Interactive Taiwan Limited Taiwan Branch	Subsidiary’s branch	100%	September 2011	Taiwan	Internet marketing services and solutions
Performance Media Group Limited	Subsidiary	100%	January 2013	Hong Kong	Internet marketing services and solutions

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

1 Organization and principal activities (Continued)**(a) Organization and nature of operation (Continued)**

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries and consolidated VIEs and the VIE's subsidiaries (defined in Note 1(b)) as follows:

<u>Name</u>	<u>Relationship</u>	<u>% of direct or indirect economic ownership</u>	<u>Date of incorporation</u>	<u>Place of incorporation/ establishment</u>	<u>Principal activities</u>
Tetris Media (Shanghai) Co., Ltd.	Subsidiary	100%	July 2013	The PRC	Internet marketing services and solutions
Buzzinate Company Limited	Subsidiary	100%	March 2009	Hong Kong	Technology development
OptAim Limited	Subsidiary	100%	July 2014	Cayman Islands	Investment holding
OptAim (HK) Limited	Subsidiary	100%	July 2014	Hong Kong	Investment holding
OptAim (Beijing) Information Technology Co., Ltd. ("OptAim WFOE")	Subsidiary	100%	November 2014	The PRC	Internet marketing services and solutions
Anhui Zhiyunzhong Information Technology Co., Ltd.	Subsidiary	100%	November 2017	The PRC	Internet marketing services and solutions
Beijing OptAim Network Technology Co., Ltd. ("Beijing OptAim")	VIE	100%	September 2012	The PRC	Internet marketing services and solutions
Zhiyunzhong (Shanghai) Technology Co., Ltd. ("Shanghai OptAim")	VIE's subsidiary	100%	September 2014	The PRC	Internet marketing services and solutions
Shanghai Myhayo Technology Co., Ltd. ("Myhayo")	VIE's subsidiary	40%	May 2017	The PRC	Mobile content aggregator, digital advertising and marketing services
Anhui Myhayo Technology Co., Ltd. ("Anhui Myhayo")	VIE's subsidiary	40%	September 2018	The PRC	Mobile content aggregator, digital advertising and marketing services
Arda Holdings Limited	VIE	100%	May 2010	BVI	Treasury management

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

1 Organization and principal activities (Continued)

(b) Consolidated VIE and VIE's subsidiaries

When the Company acquired OptAim WFOE in July 2015, OptAim WFOE is considered as a foreign invested enterprise and any foreign ownership in advertising business was subject to certain restrictions under the PRC laws and regulations at that time. To comply with the then-effective PRC laws and regulations, certain of the Group's operations are conducted through Beijing OptAim and its subsidiaries Shanghai OptAim, Shanghai Myhayo and Anhui Myhayo (together, "OptAim VIE"). OptAim WFOE, a wholly-owned subsidiary of the Company, or a wholly foreign owned enterprise ("WFOE") of the Company, entered into a series of contractual agreements among Beijing OptAim and Beijing OptAim's legal shareholders.

OptAim VIE

The Company's relationships with Beijing OptAim and its shareholders are governed by the following contractual arrangements:

· Cooperative Agreement

Under the cooperative agreement between OptAim WFOE, Beijing OptAim and Shanghai OptAim, OptAim WFOE has the exclusive right to provide to Beijing OptAim and Shanghai OptAim, among others, technical consulting, technical support, business consulting, and appointment and dismissal of employees. OptAim WFOE will collect a fee from Beijing OptAim and Shanghai OptAim to be determined at the sole discretion of OptAim WFOE. The term of this agreement will not expire unless OptAim WFOE provides prior written notice to Beijing OptAim and Shanghai OptAim.

· Purchase Option Agreement

The parties to the purchase option agreement are OptAim WFOE, Beijing OptAim and each of the shareholders of Beijing OptAim. Under the purchase option agreement, each of the shareholders of Beijing OptAim irrevocably granted OptAim WFOE or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of its equity interests in Beijing OptAim. OptAim WFOE or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without OptAim WFOE's prior written consent, Beijing OptAim's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing OptAim. The agreement will not expire until all shares of Beijing OptAim are transferred to OptAim WFOE or its designated representative(s).

· Power of Attorney

Pursuant to the irrevocable power of attorney executed by the shareholders of Beijing OptAim, Beijing OptAim appointed OptAim WFOE as its attorney-in-fact to exercise all shareholders' rights in Beijing OptAim, including, without limitation, the power to vote on all matters of Beijing OptAim requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing OptAim. The power of attorney will remain in force until OptAim WFOE provides prior written notice to Beijing OptAim.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

1 Organization and principal activities (Continued)

(b) Consolidated VIE and VIE's subsidiaries (Continued)

· Pledge Agreement

Pursuant to the pledge agreement between OptAim WFOE and the shareholders of Beijing OptAim, the shareholders of Beijing OptAim have pledged all of their equity interests in Beijing OptAim to OptAim WFOE to guarantee the performance by Beijing OptAim under the cooperative agreement, purchase option agreement, and powers of attorney. If Beijing OptAim and/or its shareholders breach their contractual obligations under those agreements, OptAim WFOE, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. Under the pledge agreement, the shareholders of Beijing OptAim are not able to provide any other guarantee by pledging the shares of Beijing OptAim, transfer or sell their pledged shares to other individual, change share capital of Beijing OptAim or transfer or sell the assets out of Beijing OptAim.

The shareholders of Beijing OptAim have completed the registration of the equity pledge with the relevant office of the Administration for Industry and Commerce in accordance with the PRC Property Rights Law on June 21, 2017.

Through the aforementioned contractual agreements, OptAim VIE is considered VIE in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP") because the Company, through OptAim WFOE, has the ability to:

- exercise effective control over OptAim VIE whereby having the power to direct OptAim VIE's activities that most significantly drive the economic results of OptAim VIE;
- receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks and expected losses from the OptAim VIE as if it was their sole shareholder; and
- have an exclusive option to purchase all of the equity interests in OptAim VIE.

Management evaluated the relationships among the Company, OptAim WFOE and OptAim VIE, and concluded that OptAim WFOE is the primary beneficiary of OptAim VIE. As a result, OptAim VIE's results of operations, assets and liabilities have been included in the Group's consolidated financial statements.

As of December 31, 2017 and 2018, the total assets of OptAim VIE were US\$7,867 and US\$5,706, respectively, mainly comprising cash and cash equivalents, accounts receivable, prepayments and other current assets, property and equipment. As of December 31, 2017 and 2018, the total liabilities of the OptAim VIE and its subsidiaries were US\$6,819 and US\$3,121 respectively, mainly comprising deferred revenue, accrued liabilities and other current liabilities.

In accordance with the aforementioned agreements, the Company has power to direct activities of the OptAim VIE, and can have assets transferred out of OptAim VIE. Therefore the Company considers that there is no asset in OptAim VIE that can be used only to settle obligations of the OptAim VIE, except for registered capital and PRC statutory reserves of OptAim VIE amounting to US\$2,081 and US\$2,081, respectively, as of December 31, 2017 and 2018. As Beijing OptAim and its subsidiaries were incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all the liabilities of the OptAim VIE. Currently there is no contractual arrangement that could require the Company to provide additional financial support to OptAim VIE.

As the Company is conducting its PRC online marketing services business through OptAim VIE, the Company will, if needed, provide such support on a discretion basis in the future, which could expose the Company to a loss.

There is no VIE where the Company has variable interest but is not the primary beneficiary.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

1 Organization and principal activities (Continued)

(b) Consolidated VIE and VIE's subsidiaries (Continued)

The Company believes that the contractual arrangements among its shareholders and OptAim WFOE are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of OptAim VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control the OptAim VIE also depends on the power of attorney and the effect of the share pledge under the Pledge Agreement and OptAim WFOE has to vote on all matters requiring shareholder approval in OptAim VIE. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership

(c) Initial Public Offering

The Company completed its initial public offering ("IPO") on December 22, 2017 on the NASDAQ Global Market and the underwriters subsequently exercised their over-allotment option on December 27, 2017. The Company issued and sold a total of 4,312,500 American Depositary Shares ("ADSs") pursuant to these transactions. Each ADS represents 0.5 common share. The net proceeds received by the Company, after deducting commissions and offering expenses, amounted to US\$28,405. Upon the completion of the IPO, all of the Company's outstanding preferred shares were converted into common shares immediately as of the same date.

2 Principal accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with the US GAAP. Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

(b) Use of estimates

The preparation of the Group's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from such estimates.

The Company believes that revenue recognition, consolidation of VIE, determination of share-based compensation, measurement of redemption value of redeemable preferred shares and impairment assessment of long-lived assets and intangible assets that reflect more significant judgments and estimates used in the preparation of its consolidated financial statements.

Management bases the estimates on historical experience and on various other assumptions as discussed elsewhere to the consolidated financial statements that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could materially differ from these estimates.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)

(c) Consolidation

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries, its VIE and VIE's subsidiaries for which the Company or its subsidiary is the primary beneficiary. All transactions and balances among the Company, its subsidiaries, its VIE and VIE's subsidiaries have been eliminated upon consolidation.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIE's economic performance, and also the Group's obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. OptAim WFOE and ultimately the Company hold all the variable interests of the VIE and its subsidiaries, and has been determined to be the primary beneficiary of the VIE.

Non-controlling interests are recognized to reflect the portion of their equity that is not attributable, directly or indirectly, to the Company as the controlling shareholder. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive loss, statement of changes in equity and balance sheet, respectively.

(d) Foreign currency translation

The reporting currency of the Company is the United States dollars ("US\$"). The Company is a holding company engaged in capital raising and financing activities denominated in US\$. As such, the Company's functional currency has been determined to be the US\$. The functional currency of the Company's subsidiaries is the local currency of the country in which they are domiciled.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange existing at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into the functional currency at the applicable rates of exchange prevailing at the transaction date. Transaction gains and losses are recognized in "other (losses)/gains, net". Assets and liabilities denominated in foreign currencies are translated at the exchange rates at the balance sheet date. Equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive loss in the consolidated statements of changes in shareholders' deficit/equity and comprehensive loss.

(e) Fair value of financial instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When available, the Company uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)

(e) Fair value of financial instruments (Continued)

Fair value measurements are based on a fair value hierarchy, based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted market prices for similar assets and liabilities; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Observable inputs are based on market data obtained from independent sources. The Company's derivative liabilities and convertible notes are measured using unobservable inputs that require a high level of judgment to determine fair value, and thus classified as Level 3 (Note 3(c) and Note 15).

The Company values its investments in wealth management products issued by a bank classified as short-term investments in the consolidated balance sheets using quoted subscription/redemption prices published by the bank, and accordingly, the Company classifies the valuation techniques that use these inputs as Level 2.

The carrying amounts of cash and cash equivalents, time deposits, accounts receivable, rebate receivables, accounts payable, other financial assets and liabilities approximate to their fair values due to the short-term nature of these instruments. Based on the borrowing rates currently available to the Group for debt with similar terms, the carrying value of the short-term loan approximates to its fair value (using Level 2 inputs).

Certain assets, including intangible assets and long-term investment, are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the years ended December 31, 2016, 2017 and 2018, no impairments were recorded on those assets required to be measured at fair value on a non-recurring basis.

(f) Cash, cash equivalents and restricted cash

Cash and cash equivalents include cash on hand, cash in bank and time deposits placed with banks or other financial institutions, which have original maturities of three months or less and are readily convertible to known amounts of cash.

Restricted cash represented bank deposits in accounts that are restricted as to withdrawal or usage. For restriction which is expected to be released within one year of the balance sheet date, the respective restricted cash balance is classified as current. As of December 31, 2017 and 2018, the Company did not have any restricted cash.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)**(f) Cash, cash equivalents and restricted Cash (Continued)**

In November 2016, the Financial Accounting Standard Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-18, Statements of Cash Flows (Topic 230): Restricted Cash, which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts presented in the statement of cash flows. The Company has adopted this new guidance on January 1, 2018, using the retrospective transition method. Following the adoption of this guidance:

- Amounts generally described as restricted cash are now presented with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows.
- (Increase)/decrease in restricted cash under net cash used in investing activities amounting to (US\$4,234) and US\$5,234 for the years ended December 31, 2016 and 2017, respectively, has been reclassified to net increase/(decrease) in cash and cash equivalents and restricted cash in the consolidated statements of cash flows.
- No impact to the consolidated statements of cash flows for the year ended December 31, 2018 as there was no restricted cash during the year.
- The Company has also added a reconciliation of cash, cash equivalents, and restricted cash to the consolidated statements of cash flows.

(g) Time deposit

Time deposit represents demand deposit placed with a bank with an original maturity of more than three months but less than one year. Interest income is recognized using the effective interest method in the consolidated statements of comprehensive loss during the periods. Time deposit is valued based on the prevailing interest rates in the market.

(h) Accounts receivable, net

Accounts receivable are presented net of allowance for doubtful accounts. The Group uses specific identification in providing for bad debts when facts and circumstances indicate that collection is doubtful and based on factors listed in the following paragraph. If the financial conditions of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

The Company maintains an allowance for doubtful accounts which reflects its best estimate of amounts that potentially will not be collected. The Company determines the allowance for doubtful accounts on an individual basis taking into consideration various factors including but not limited to historical collection experience and credit-worthiness of the customers as well as the age of the individual receivables balance. Additionally, the Company makes specific bad debt provisions based on any specific knowledge the Company has acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require the Company to use substantial judgment in assessing its collectability.

(i) Rebates receivable

Rebates receivable represent sales rebates that have already been earned but not received from third party publishers. The Company earns its rebates from purchasing advertising spaces from these website publishers.

(j) Short-term investments

Short-term investments include investments in wealth management products issued by a bank in the PRC which are redeemable by the Company at any time. The wealth management products are unsecured with variable interest rates and primarily invested in debt securities issued by the PRC government, corporate debt securities and central bank bills. The Company measures the short-term investments at fair value using the quoted subscription or redemption prices published by the bank. The change in fair value recorded in the consolidated statements of comprehensive loss amounted to US\$nil, US\$nil and US\$25 for the years ended December 31, 2016, 2017 and 2018, respectively.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)**(k) Long-term investment**

The Group's long-term investment as of December 31, 2018 consists of equity security without readily determinable fair value. There was no long-term investment as of December 31, 2017.

The Company adopted Accounting Standards Codification ("ASC") 321 "Investments—Equity Securities" on January 1, 2018 and required to measure its equity investment at fair value and any changes in fair value are recognized in earnings. For equity security without a readily determinable fair value and does not qualify for the existing practical expedient in ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820") to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Company elected to use the measurement alternative to measure its equity investment at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

(l) Property and equipment, net

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Leasehold improvements	Over the shorter of lease term or 2 – 5 years
Furniture and fixtures	2 – 5 years
Office equipment	3 – 5 years

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statement of comprehensive loss.

(m) Business combinations

The Company accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations" ("ASC 805"). The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred to the sellers and liabilities incurred by the Company and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive loss as gain on bargain purchase. During the measurement period, which can be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statement of comprehensive loss.

(n) Intangible assets, net

Intangible assets mainly consist of computer software licenses purchased from external parties and computer software and systems acquired through the acquisitions of OptAim, Buzzinate and Myhayo, respectively. Identifiable intangible assets are carried at acquisition cost less accumulated amortization and impairment loss, if any. Finite lived intangible assets are tested for impairment if impairment indicators arise. Amortization of finite lived intangible assets is computed using the straight-line method over the following estimated useful lives, which are as follows:

Computer software and systems	2 – 5 years
-------------------------------	-------------

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)**(o) Impairment of long-lived assets and intangible assets**

For other long-lived assets including property and equipment and amortizable intangible assets, the Group evaluates for impairment whenever events or changes (triggering events) indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to receive from use of the assets and their eventual disposition. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(p) Impairment of goodwill

Impairment of goodwill assessment is performed on at least an annual basis on December 31 or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. According to ASC 350-20-35, an entity may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Group, however, selects proceed directly to perform a two-step goodwill impairment test. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in adjusting the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. The judgment in estimating the fair value of a reporting unit includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of the fair value of a reporting unit. No goodwill impairment losses were recognized for the years ended December 31, 2016, 2017 and 2018.

(q) Deferred revenue

The Group receives prepayments for services in advance of service performance from certain customers. The amounts received in advance are recorded as deferred revenue and recognized as revenue in the period which the corresponding services are performed.

(r) Derivative financial instruments

ASC 815, "Accounting for Derivative Instruments and Hedging Activities" ("ASC 815") requires every derivative financial instrument (including certain derivative financial instruments embedded in other contracts) to be recorded on the balance sheet at fair value as either an asset or a liability. ASC 815 also requires that changes in the fair value of recorded derivatives be recognized currently in earnings unless specific hedge accounting criteria are met. The Company's derivative financial instruments as of December 31, 2016 included the conversion features and redemption features of the preferred shares. There was no derivative financial instrument as of December 31, 2017 and 2018.

(s) Convertible debt

The Company determines the appropriate accounting treatment of its convertible debts in accordance with the terms in relation to the conversion feature, call and put option, and beneficial conversion feature ("BCF"). After considering the impact of such features, the Company may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 and ASC 470 "Debt".

The conversion features of the convertible notes of the Company meets the definition of a derivative whereby no BCF shall be separately accounted for. Moreover, the Company has elected the fair value option for convertible debts accounted for as a liability in its entirety whereby the conversion features that meets the definition of a derivative are not bifurcated given that the entire debt instrument is legally a single contract therefore not to be separated into parts for purposes of applying the fair value option. Such fair value option permits the irrevocable election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event, that gives rise to a new basis of accounting for that instrument. The convertible debts accounted for under the fair value option are carried at fair value with realized or unrealized gains and losses recorded in the consolidated statements of comprehensive loss.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)**(s) Convertible debt (Continued)**

Convertible debts are classified as current liabilities if they are convertible or redeemable on demand or if their due date is or will be within one year from the balance sheet date.

(t) Treasury shares

The Company accounted for those shares repurchased as treasury shares at cost in accordance with ASC 505-30, and the treasury shares acquired are shown separately in shareholders' equity as the Company has not yet decided on the ultimate disposition of those shares. If and when the Company cancels the treasury shares, the difference between the original issuance price and the repurchase price will be debited into additional paid-in capital.

(u) Revenue recognition and cost of revenues

On January 1, 2018, the Group adopted ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)" and subsequent amendments to the initial guidance or implementation guidance issued between August 2015 and December 2016 within ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 (collectively, "ASC 606") using a modified retrospective approach applied to contracts that were not completed as of January 1, 2018. The adoption did not have a material impact on the accumulated deficit as of January 1, 2018. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Group's historic accounting under ASC 605.

The Group's services are the provisions of online marketing services. The Group utilizes a combination of pricing models and revenue is recognized when the related services are delivered based on the specific terms of the contract, which are commonly based on (i) agreed incentive to be earned for being a sales agent of a publisher, (ii) cost-plus or (iii) specified actions (i.e. cost per impression ("CPM"), cost per click ("CPC"), cost per action ("CPA"), cost per sale ("CPS"), cost per lead ("CPL") or return on investment ("ROI")) and related campaign budgets, depending on the customers' preferences and their campaigns launched.

The following table presents our revenue recognized from contracts with customers disaggregated by the three types of pricing models:

	December 31, 2016 Under ASC 605	For the year ended December 31, 2017 Under ASC 605	December 31, 2018 Under ASC 606
Recognized over time			
- Sales agent	7,924	8,311	8,671
- Cost-plus	15,378	10,788	12,192
	<u>23,302</u>	<u>19,099</u>	<u>20,863</u>
Recognized at point in time			
- Specified actions	72,055	106,159	139,154
	<u>95,357</u>	<u>125,258</u>	<u>160,017</u>

As noted above, in accordance with the modified retrospective method upon adoption of ASC 606, prior period amounts have not been adjusted.

The Group recognizes revenue when the Group satisfies a performance obligation by transferring a promised service to a customer. The Group considers the following when determining if a contract exists under which the performance obligations have been satisfied: (i) contract approval by all parties, (ii) identification of each party's rights regarding the goods or services to be transferred, (iii) specified payment terms, (iv) commercial substance of the contract, and (v) collectability of substantially all of the consideration is probable. Collectability is assessed based on a number of factors, including the creditworthiness of a customer, the size and nature of a customer's business and transaction history. Revenues are recorded net of value-added taxes.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)

(u) Revenue recognition and cost of revenues (Continued)

Sales agent

In the arrangement with a particular publisher, the Group acts as a sales agent for this publisher in selling marketing spaces to marketing clients. In return, the Group earns incentives from this publisher based on contractually stipulated amounts when certain spending thresholds are achieved. The Group considers this particular publisher as a customer and record such incentives as net revenues. Incentives from this publisher are calculated on both a quarterly and an annual basis in accordance with the terms as set out in the arrangement.

Revenue under this arrangement is recognized over-time given the Group considers this particular publisher simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. In other words, when the Group purchases marketing spaces on behalf of the marketing clients throughout the marketing campaigns as requested by them, this particular publisher simultaneously receives and consumes the benefit of the marketing spaces being purchased and therefore the Group is entitled to incentive payment from this publisher.

The Group grants rebates to marketing clients under the sales agent arrangement. The majority of marketing clients under this arrangement are not customers under either the cost-plus arrangement or specified actions arrangement. The Group records rebates granted to such marketing clients as reduction of revenue.

Cost-plus

For cost-plus advertisement campaigns, sales are recognized at the fair value of the amount received. Discounts granted to marketing clients under cost-plus marketing campaigns are recorded as a reduction of revenue. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In the normal course of business, the Group acts as an intermediary in executing transactions between website publishers and marketing clients. The specified service in the cost-plus arrangement is the provision of marketing space, which is controlled by the website publishers, rather than the Group. The Group assists the marketing clients to place orders with specific website publishers based on specification set out the marketing clients. The Group does not have the ability to direct the use of marketing space and does not have any inventory risk. Pricing is generally based on the actual advertising spending incurred by the marketing clients plus a margin. Accordingly, the Group concludes that it is not the principal in these arrangements and reports revenue earned and costs incurred related to these transactions on a net basis.

Revenue under this arrangement is recognized over-time as the Group considers its customers simultaneously receive and consume the benefits provided by the Group's performance. At the time the Group purchases marketing spaces during the contract term for its customers, the customers' advertisements could be placed throughout the marketing campaign. Revenue recognition under this arrangement is not based on an occurrence of significant act or milestone method

Throughout the various services delivered to clients under the cost-plus arrangements, the Group earns rebates from publishers and grant rebates to marketing clients. The rebates that the Group grants to marketing clients under cost-plus arrangement are recorded as reduction of revenue and are recorded based on the amount the marketing clients would ultimately need to spend to earn the corresponding level of rebates. The Group is also able to reasonably estimate the spending the customers can ultimately achieve based on the historical spending patterns of the customers with similar arrangements. The rebates that the Group receives from publishers under the cost-plus arrangements are recorded as revenue. These rebates are recognized when a particular milestone is achieved (i.e. applying the relevant rebates based on the level of spending threshold actually achieved) and spending has actually occurred.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)**(u) Revenue recognition and cost of revenues (Continued)***Specified actions*

The Group, including the newly acquired subsidiaries Myhayo, also generates revenue from performing specified actions (i.e. a CPM, CPC, CPA, CPS, CPL or ROI basis). Revenue is recognized on a CPM or CPC basis as impressions or clicks are delivered while revenue on a CPA, CPS, CPL or ROI basis is recognized once agreed actions are performed. For the specified actions advertisement campaigns, the Group is the principal as it has the obligation to deliver successful actions requested by marketing clients. Also, the Group will only be paid if successful actions can be delivered and is exposed to risk of loss. In terms of pricing, the Group has complete latitude in establishing the selling prices of each of the CPM, CPC, CPA, CPS, CPL or ROI pricing model. The Group's margin may vary as the costs incurred to deliver successful actions may vary and is therefore exposed to risk of loss whereby validating its degree of responsibility to its customers. Although the inventory risk under specified actions arrangement is considered to be low, the Group concludes that it is the principal in such arrangement as it is the principal ultimately responsible for delivering successful actions and in charge of establishing the price per action. Accordingly, the Group reports revenue earned and costs incurred related to these transactions on a gross basis.

Revenues under this arrangement is recognized at point-in-time when the Group is able to deliver the specified actions as requested by the customers. Upon the occurrence of the specified actions, the customers take control of the specified actions and this is when the Group recognizes the corresponding revenue. Unlike the cost-plus arrangement, when the Group purchases marketing spaces in order to deliver the specified actions, the customers do not receive and consume the benefit as the benefit to be received by the customers is the occurrence of the specified actions. Also, the Group does not create or enhance an asset that the customers control as the marketing spaces ultimately belong to the publishers. The Group does not have any right to payment for simply purchasing the marketing spaces and would only be compensated upon delivery of the specified actions.

Similar to the cost-plus arrangements, the Group earns rebates from publishers and grant rebates to marketing clients under specified action arrangement. Likewise, the rebates that the Group grants to marketing clients under specified action arrangement are recorded as reduction of revenue and are recorded based on the amount the marketing clients would ultimately need to spend to earn the corresponding level of rebates based on the historical spending patterns of the customers with similar arrangements. The rebates that the Group receives from publishers under the specified action arrangements are recorded as a reduction of cost of revenues. Similar to the cost-plus arrangement, these rebates under specified action arrangements are recognized when a particular milestone is achieved (i.e. applying the relevant rebates based on the level of spending threshold actually achieved) and spending has actually occurred.

Adoption of ASC 606

Under ASC 605, the Group recorded rebates granted to marketing clients under the sales agent arrangement as cost of revenues as (i) the Group considered these rebates were for an identifiable benefit that was separable from the marketing clients' purchase of the Group's services and (ii) the Group was able to reasonably estimate the fair value of the benefit received from granting these rebates. However, the notion of "separate identifiable benefit" under ASC 605 was not carried forward into ASC 606. ASC 606 requires the rebates granted to marketing clients under sales agent arrangement to be recorded as a reduction of revenue unless the Group is receiving a distinct good or service with the payment to the marketing clients. Given the Group cannot establish such a distinct good or service with the payment to marketing clients under the sales agent arrangement, rebates to marketing clients under this arrangement are recorded as a reduction of revenue under ASC 606. The resulting impact to the consolidated financial statements for the year ended December 31, 2018 was a decrease of US\$2,654 in net revenues, with a corresponding decrease in cost of revenues.

iCLICK INTERACTIVE ASIA GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)
(u) Revenue recognition and cost of revenues (Continued)
Adoption of ASC 606 (Continued)

The following table illustrates the effect of the adoption of ASC 606 by presenting a comparison of selected line items from the Group's consolidated statements of comprehensive loss for the year ended December 31, 2018, as actually reported and as they would have been reported under ASC 605, without the adoption of ASC 606 (in thousands, except per share data):

	<u>As reported</u>	<u>Without adoption of ASC 606</u>	<u>Effect of change higher/(lower)</u>
Net revenues	160,017	162,671	(2,654)
Cost of revenues	(120,897)	(123,551)	(2,654)
Gross profit	39,120	39,120	—
Loss before income tax expense	(31,956)	(31,956)	—
Income tax expense	(655)	(655)	—
Net loss	(32,611)	(32,611)	—
Basic net loss per share attributable to iClick Interactive Asia Group Limited	(1.23)	(1.23)	—
Diluted net loss per share attributable to iClick Interactive Asia Group Limited	(1.23)	(1.23)	—

The adoption of ASC 606 did not change the Group's consolidated balance sheet, consolidated statement of cash flows, or consolidated statement of changes in equity for the year ended December 31, 2018.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when the Group has satisfied its performance obligations and has the unconditional right to payment. The allowance for doubtful accounts is estimated based upon the Group's assessment of various factors, including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect the Group's customers' ability to pay. The Group normally does not have contract assets, which are primarily unbilled accounts receivable that are conditional on something other than the passage of time.

Deferred revenue represents contract liabilities which related to unsatisfied performance obligations at the end of the period. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period. Revenue recognized during the year ended December 31, 2018 relating to deferred revenue as of January 1, 2018 was US\$25,410. For the amount remained as deferred revenue as of January 1, 2018 but not recognized as revenue during the year ended December 31, 2018, there is still a contractual obligation for the Company to provide service whereby the Company is not obliged to make any refund of the amount received from customers. Such amount will be recognized as revenue when all of the revenue recognition criteria are met.

Changes in deferred revenue balance for the year ended December 31, 2018 were as follows:

Balance as of January 1, 2018	33,037
Additions to deferred revenue	192,822
Recognition of deferred revenue as revenues	(197,698)
Exchange differences	(970)
Balance as of December 31, 2018	<u>27,191</u>

Revenue recognized in the current period from performance obligations related to prior periods was not material.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)

(u) Revenue recognition and cost of revenues (Continued)

Practical Expedients

The Group has used the following practical expedients as allowed under ASC 606:

- (i) The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed as substantially all of the Group's contracts have a duration of one year or less.
- (ii) Payment terms and conditions vary by contract type, although terms generally include a requirement of prepayment or payment within one year or less. In instances where the timing of revenue recognition differs from the timing of invoicing, the Group has determined that its contracts generally do not include a significant financing component.
- (iii) The Group generally expenses sales commissions when incurred because the amortization period would be one year or less. These costs are recorded within sales and marketing expenses.

(v) Prepaid media costs

Prepaid media costs represent prepayments for online space paid by the Group to third party publishers of websites. Upon utilization, media costs are recognized in cost of revenues when the Group is determined as acting as the principal. However, when the Group is determined as acting as the agent, those costs are recognized as deduction to revenue by the Group. These prepayments are classified as current considering the corresponding online spaces are expected to be purchased and utilized within twelve months from the date of payments.

(w) Research and development expenses

Research and development expenses consist primarily of (i) salary and welfare for research and development personnel, (ii) rental expenses and (iii) depreciation of office premise and servers utilized by research and development personnel. Costs incurred during the research stage are expensed as incurred. Costs incurred in the development stage, prior to the establishment of technological feasibility, which is when a working model is available, are expensed when incurred.

The Company accounts for internal use software development costs in accordance with guidance on intangible assets and internal use software. This requires capitalization of qualifying costs incurred during the software's application development stage and to expense costs as they are incurred during the preliminary project and post implementation/operation stages.

The Group incurred development costs in connection with an internal-use ERP software to further enhance management to monitor the business. While internal and external costs incurred during the preliminary project stage are expensed as incurred, costs relating to activities during the application development stages have been capitalized. For the years ended December 31, 2016, 2017 and 2018, the Company has capitalized development costs related to ERP software of US\$nil, US\$nil and US\$119 as intangible assets. In addition, the Group incurred other research and development costs in relation to other internal use software used to support its operations. Any development costs qualified for capitalization were immaterial for the periods presented. For the years ended December 31, 2016, 2017 and 2018, the Company has not capitalized any other costs related to internal use software.

(x) Sales and marketing expenses

Sales and marketing expenses consist primarily of (i) advertising and marketing expenses, and (ii) salary and welfare for sales and marketing personnel. Advertising expenses are recorded as sales and marketing expenses when incurred, and totaled US\$1,246, US\$1,727 and US\$4,574 for the years ended December 31, 2016, 2017 and 2018, respectively.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)

(y) General and administrative expenses

General and administrative expenses consist primarily of (i) salary and welfare for general and administrative personnel, (ii) allowance for doubtful receivables, and (iii) professional service fees.

(z) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of comprehensive loss on a straight-line basis over the lease periods. The Group had no capital leases for the years ended December 31, 2016, 2017 and 2018.

(aa) Employee social security and welfare benefits

Employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to contribute to the plan based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government.

The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed and no legal obligation beyond the contributions made.

The Group also makes payments to other defined contribution plans for employees employed by subsidiaries outside the PRC.

(ab) Non-controlling interests

The non-controlling interests are presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the Company. Non-controlling interests are presented on the face of the consolidated statement of comprehensive loss as an allocation of the total income or loss for the year between non-controlling interest holders and the shareholders of the Company.

(ac) Income taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. The Group recognizes interests and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheets and under other expenses in its statements of operations and comprehensive loss. The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2016, 2017 and 2018. As of December 31, 2017 and 2018, the Group did not have any significant unrecognized uncertain tax positions.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)

(ad) Share-based compensation

The Company accounts for share-based compensation expenses in accordance with ASC subtopic 718-10 (“ASC 718-10”), “Compensation-Stock Compensation”, for share-based awards to employees. Under the fair value recognition provisions of ASC 718-10, share-based compensation costs are measured at the grant date. The share-based compensation expenses have been categorized as either general and administrative expenses, sales and marketing expenses or research and development expenses, depending on the job functions of the grantees.

Option and RSUs granted to employees

For the options and RSUs granted to employees, the compensation expense is recognized using the graded-vesting attribution approach over the requisite service period, which is generally the vesting period. Forfeitures are estimated at the time of grant, with such estimate updated periodically and with actual forfeitures recognized currently to the extent they differ from the estimate. In determining the fair value of the Company’s share options, the binomial option pricing model has been applied. The fair value of RSUs is determined with reference to the fair value of the underlying shares.

Option modification

According to ASC 718, a change in any of the terms or conditions of equity based awards shall be accounted for as a modification of the award. Therefore, the Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified. For vested options, the Company would recognize incremental compensation costs on the date of modification and for unvested options, the Company would recognize, prospectively and over the remaining requisite service period, the sum of the incremental compensation costs and the remaining unrecognized compensation costs for the original award.

Option and RSUs granted to non-employees

For share-based awards granted to non-employees, the Company accounts for the related share-based compensation expenses in accordance with ASC subtopic, 505-50 (“ASC 505-50”), “Equity-Based Payments to Non-Employees”. Under the provision of ASC 505-50, options of the Company issued to non-employees are measured based on fair value of the options which are determined by using the binomial option pricing model and RSUs of the Company issued to non-employees are measured based on fair value of the RSUs which are determined with reference to the fair value of the underlying shares. These options and RSUs are measured as of the earlier of the date at which either: (1) commitment for performance by the non-employee has been reached; or (2) the non-employee’s performance is complete.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)

(ae) Statutory reserves

The Company's subsidiaries, consolidated VIE and its subsidiaries incorporated in the PRC are required on an annual basis to make appropriations of retained earnings set at certain percentage of after-tax profit determined in accordance with PRC accounting standards and regulations ("PRC GAAP").

Appropriation to the statutory general reserve should be at least 10% of the after tax net income determined in accordance with the legal requirements in the PRC until the reserve is equal to 50% of the entities' registered capital. The Group is not required to make appropriation to other reserve funds and the Group does not have any intentions to make appropriations to any other reserve funds.

The general reserve fund can only be used for specific purposes, such as setting off the accumulated losses, enterprise expansion or increasing the registered capital. Appropriations to the general reserve funds are classified in the consolidated balance sheets as statutory reserves.

There are no legal requirements in the PRC to fund these reserves by transfer of cash to restricted accounts, and the Group was not done so.

Relevant laws and regulations permit payments of dividends by the PRC subsidiaries and affiliated companies only out of their retained earnings, if any, as determined in accordance with respective accounting standards and regulations. Accordingly, the above balances are not allowed to be transferred to the Company in terms of cash dividends, loans or advances.

(af) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

(ag) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2016, 2017 and 2018, respectively. The Group does not have any present plan to pay any dividends on ordinary shares in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business.

(ah) Loss per share

Basic loss per share is computed by dividing net loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year using the two class method. The Group uses the two-class method to calculate net loss per share though both classes share the same rights in dividends. Therefore, basic and diluted loss per share are the same for both classes of ordinary shares. Using the two class method, net loss is allocated between ordinary shares and other participating securities (i.e. preferred shares) based on their participating rights.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalents shares outstanding during the year. Dilutive equivalent shares are excluded from the computation of diluted loss per share if their effects would be anti-dilutive. Ordinary share equivalents consist of the ordinary shares issuable in connection with the Group's convertible notes, convertible non-redeemable and redeemable preferred shares using the if-converted method, and ordinary shares issuable upon the conversion of the stock options and vesting of RSUs, using the treasury stock method.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)

(ai) Comprehensive loss

Comprehensive loss is defined as the change in shareholders' deficit of the Company during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders.

Comprehensive loss is reported in the consolidated statements of comprehensive loss. Accumulated other comprehensive losses of the Group include the foreign currency translation adjustments.

(aj) Segment reporting

Operating segments are defined as components of an enterprise engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including revenue, gross profit and operating profit at a consolidated level only. The Group does not distinguish between markets for the purpose of making decisions about resources allocation and performance assessment. Hence, the Group has only one operating segment and one reportable segment.

(ak) Recently issued accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires that a lessee should recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expenses for such lease generally on a straight-line basis over the lease term. The new leases standard also provides lessees with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component. If a lessee makes that accounting policy election, it is required to account for the non-lease components together with the associated lease component as a single lease component and to provide certain disclosures. Entities were initially required to adopt the new leases standard using a modified retrospective transition method. Under that transition method, an entity initially applies the new leases standard (subject to specific transition requirements and optional practical expedients) at the beginning of the earliest period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, which provides another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with preparers' requests. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public entities. The Company will adopt this new guidance for the year ending December 31, 2019 and interim periods in the year ending December 31, 2019. Upon transition, the Company plans to apply the package of practical expedients permitted under Topic 842 transition guidance to the entire lease portfolio at January 1, 2019. As a result, the Company is not required to reassess (i) whether any expired or existing contracts are or contain leases, (ii) the classification of any expired or existing leases, and (iii) initial direct costs for any existing leases. As a result of the adoption of ASC 842, The Company estimated that approximately US\$2.6 million would be recognized as total right-of-use assets and total lease liabilities, respectively, in the consolidated balance sheet as of January 1, 2019. Other than disclosed, the Company does not expect the new standard to have a material impact on the consolidated financial statements.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

2 Principal accounting policies (Continued)**(ak) Recently issued accounting pronouncements (Continued)**

In June 2016, the FASB issued ASU 2016-13—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which changes the accounting for recognizing impairments of financial assets. Under ASU 2016-13, credit losses for certain types of financial instruments will be estimated based on expected losses. The new guidance also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. The new guidance will be effective for the Company starting in the first quarter of fiscal 2021. Early adoption is permitted starting in the first quarter of fiscal 2020. The Company is currently assessing the impact this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles — Goodwill and Other (Topic 350): simplifying the test for goodwill impairment”, the guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not the difference between the fair value and carrying amount of goodwill which was the step 2 test before. The ASU should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)(“ASU 2018-07”). ASU 2018-07 issued final guidance aligning the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. Under the guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date, which may lower their cost and reduce volatility in the income statement. The guidance is effective for public business entities (“PBEs”) in annual periods beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted, but no earlier than an entity’s adoption date of ASC 606. The Company does not expect ASU 2018-07 to have a material impact to the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”) which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Under the guidance, public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. The Company does not expect ASU 2018-13 to have a material impact to the Company’s consolidated financial statements.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

3 Certain risks and concentration**(a) PRC regulations**

The Chinese market in which the Company operates poses certain macro-economic and regulatory risks and uncertainties. These uncertainties extend to the ability of the Company to engage in online marketing businesses through contractual arrangements in the PRC since the internet and marketing services industries remain regulated. The Company conducts certain of its operations in the PRC through its variable interest entity, which it consolidates as a result of a series of contractual arrangements enacted. Though the PRC has, since 1978, implemented a wide range of market-oriented economic reforms, continued reforms and progress towards a full market-oriented economy are uncertain. In addition, the telecommunication, information, and media industries remain highly regulated. Restrictions are currently in place and are unclear with respect to which segments of these industries foreign owned entities, like the Company, may operate. The Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate areas such as telecommunication, information and media. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Company's ability to conduct business in the PRC. There are uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations, including but not limited to the laws, rules and regulations governing the validity and enforcement of the contractual arrangements with consolidated VIE. The Company believes that the structure for operating its business in the PRC (including the ownership structure and the contractual arrangements with the consolidated VIE) is in compliance with all applicable existing PRC laws, rules and regulations, and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations. However, the Company cannot assure that the PRC regulatory authorities will not adopt any new regulation to restrict or prohibit foreign investments in the online marketing business through contractual arrangements in the future or that it will not determine that the ownership structure and contractual arrangements violate PRC laws, rules or regulations. If the Company and its consolidated VIE are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking the business licenses of such entities;
- discontinuing or restricting the conduct of any transactions between the Company's PRC subsidiaries and OptAim VIE;
- imposing fines, confiscating the income of the OptAim VIE or the Company's PRC subsidiaries, or imposing other requirements with which the Company or its PRC subsidiaries and OptAim VIE may not be able to comply;
- requiring the Company to restructure its ownership structure or operations, including terminating the contractual arrangements with OptAim VIE and deregistering the equity pledges of OptAim VIE, which in turn would affect its ability to consolidate, derive economic interests from, or exert effective control over OptAim VIE; or
- restricting or prohibiting its use of the proceeds of any offering to finance its business and operations in the PRC.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

3 Certain risks and concentration (Continued)**(a) PRC regulations (Continued)**

If the imposition of any of these penalties precludes the Company from operating its business, it would no longer be in a position to generate revenue or cash from it. If the imposition of any of these penalties causes the Company to lose its rights to direct the activities of its consolidated VIEs or its rights to receive its economic benefits, the Company would no longer be able to consolidate these entities, and its financial statements would no longer reflect the results of operations from the business conducted by VIEs except to the extent that the Company receives payments from VIEs under the contractual arrangements. Either of these results, or any other significant penalties that might be imposed on the Company in this event, would have a material adverse effect on its financial condition and results of operations. Nevertheless, the laws and regulations that imposed restrictions on foreign ownership in advertising companies, including the Administrative Provisions on Foreign-Invested Advertising Enterprises were abolished in June 2015. To the extent any current or future business of OptAim VIE can be directly operated by the Company's wholly owned subsidiaries under PRC law, the Company is in the process of transferring such business to the Company's wholly owned subsidiaries.

On January 19, 2015, the Ministry of Commerce of the PRC, or (the "MOFCOM") released on its Website for public comment a proposed PRC law (the "Draft FIE Law") that appears to include VIEs within the scope of entities that could be considered to be foreign invested enterprises (or "FIEs") that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect ownership or equity, the Draft FIE Law includes control through contractual arrangements within the definition of "actual control". If the Draft FIE Law is passed by the People's Congress of the PRC and goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to reach the Group's VIE arrangement, and as a result the Group's VIE could become explicitly subject to the current restrictions on foreign investment in certain categories of industry. The Draft FIE Law includes provisions that would exempt from the definition of foreign invested enterprises entities where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens.

The Draft FIE Law does not make clear how "control" would be determined for such purpose, and is silent as to what type of enforcement action might be taken against existing VIEs that operate in restricted industries and are not controlled by entities organized under PRC law or individuals who are PRC citizens. If a finding were made by PRC authorities under the Draft FIE Law if it becomes effective, that the Company's operation of certain of its operations and businesses through VIE violates the Draft FIE Law, regulatory authorities with jurisdiction over the licensing and operation of such operations and businesses may require the Company to take various actions as discussed in the paragraph above. The Group's management considers the possibility of such a finding by PRC regulatory authorities under the Draft VIE law, if it becomes effective, to be remote.

OptAim VIE holds assets that are important to the operation of the Group's business, including patents for proprietary technology and trademarks. If OptAim VIE falls into bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, the Group may be unable to conduct major part of its business activities in the PRC, which could have a material adverse effect on the Group's future financial position, results of operations or cash flows. However, the Group believes this is a normal business risk many companies face. The Group will continue to closely monitor the financial conditions of OptAim VIE.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

3 Certain risks and concentration (Continued)**(a) PRC regulations (Continued)**

OptAim VIE's assets comprise both recognized and unrecognized revenue-producing assets. The recognized revenue-producing assets include leasehold improvements, computers and network equipment and self-developed computer software which are recognized in the Company's consolidated balance sheet. The unrecognized revenue-producing assets mainly consist of patents, trademarks and assembled workforce which are not recorded in the financial statements of OptAim VIE as it did not meet the recognition criteria set in ASC 350-30-25.

The following financial information of the OptAim VIE and its subsidiaries excluding the intercompany items with the Company's subsidiaries was included in the accompanying financial statements as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	1,585	1,865
Accounts receivable, net	5,553	2,357
Other current assets	552	604
Total current assets	<u>7,690</u>	<u>4,826</u>
Non-current assets		
Property and equipment, net	14	9
Intangible assets	—	697
Other non-current assets	163	174
Total non-current assets	<u>177</u>	<u>880</u>
Total assets	<u>7,867</u>	<u>5,706</u>
Liabilities		
Current liabilities		
Accounts payable	29	45
Deferred revenue	5,986	1,300
Accrued liabilities and other current liabilities	804	1,776
Total current liabilities	<u>6,819</u>	<u>3,121</u>
Non-current liabilities		
Deferred tax liabilities	—	238
Total non-current liabilities	<u>—</u>	<u>238</u>
Total liabilities	<u>6,819</u>	<u>3,359</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

3 Certain risks and concentration (Continued)**(a) PRC regulations (Continued)**

	For the years ended December 31,		
	2016	2017	2,018
Net revenues	52,215	25,302	2,902
Net (loss)/profit	(322)	1,646	(47)
Net cash provided by operating activities	1,043	539	281
Net cash used in investing activities	(3)	—	(1)
Net increase in cash and cash equivalents	1,040	539	280

In accordance with the VIE arrangements, the Group has the power to direct activities of the OptAim VIE, and can have assets transferred out of the OptAim VIE. Therefore, the Group considers that there are no assets of the OptAim VIE can be used only to settle their obligations.

(b) Foreign exchange risk

Assets and liabilities of non-US\$ functional currency entities are translated into US\$ using the applicable exchange rates at the balance sheet date. Items in the statements of comprehensive loss are translated into US\$ using the average exchange rate during the period. Equity accounts were translated at their historical exchange rates. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income on the consolidated statements of shareholders' (deficit)/equity.

Certain of the Group's operating activities are transacted in Renminbi ("RMB"), which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China.

The revenues and expenses of the Group's subsidiaries, VIE and VIE's subsidiaries in the PRC are generally denominated in RMB and their assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies, and remittances of foreign currencies into the PRC and exchange of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market.

Certain of the Group's operating activities are transacted in Hong Kong Dollars ("HK\$"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group considers the foreign exchange risk in relation to transactions denominated in HK\$ with respect to US\$ is not significant as HK\$ is pegged to US\$.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

3 Certain risks and concentration (Continued)**(c) Fair value measurement****(i) Financial assets and liabilities measured at fair value**

The following table sets forth, by level within the fair value hierarchy (see Note 2(e)), financial assets and liabilities measured at fair value as of December 31, 2018. As required by ASC 820, financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the respective fair value measurement. There were no financial assets or liabilities measured at fair value as of December 31, 2017.

	As of December 31, 2018			
	Fair value measurements using			
Total fair value	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	
Short-term investments	17,427	—	17,427	—
Convertible notes at fair value	(34,837)	—	—	(34,837)
	<u>(17,410)</u>	<u>—</u>	<u>17,427</u>	<u>(34,837)</u>

(ii) Equity securities without readily determinable fair values

The equity securities without readily determinable fair value are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. There were no fair value changes related to such equity securities classified as long-term investment in the consolidated balance sheets for the years ended December 31, 2016, 2017 and 2018.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

3 Certain risks and concentration (Continued)

(d) Concentration risk

(i) Concentration of revenues

For the year ended December 31, 2016, two customers accounted for 18% and 11% of the net revenues, respectively. For the year ended December 31, 2017, no individual customer accounted for more than 10% of the net revenues. For the year ended December 31, 2018, one customer accounted for 14% of the net revenues.

(ii) Concentration of accounts receivable

The Group has not experienced any significant recoverability issue with respect to its accounts receivable. The Group conducts credit evaluations on its customers and generally does not require collateral or other security from such customers. The Group grants up to 180 days of credit term to customers and periodically evaluates the creditworthiness of the existing customers in determining an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

As of December 31, 2017 and 2018, no individual customer accounted for more than 10% of the consolidated accounts receivable. The top 10 accounts receivable accounted for 42% and 48% of the consolidated accounts receivable as of December 31, 2017 and 2018, respectively.

(iii) Credit risk

As of December 31, 2017 and 2018, substantially all of the Group's cash and cash equivalents were placed with financial institutions in Hong Kong and the PRC. Management chooses these institutions because of their reputations and track records for stability, and their known large cash reserves, and management periodically reviews these institutions' reputations, track records, and reported reserves. Management expects that any additional institutions that the Group uses for its cash and bank deposits will be chosen with similar criteria for soundness. The balances in the PRC are not insured since it is not a market practice in the PRC. Nevertheless under the PRC law, it is required that a commercial bank in the PRC that holds third party cash deposits should maintain a certain percentage of total customer deposits taken in a statutory reserve fund for protecting the depositors' rights over their interests in deposited money. PRC banks are subject to a series of risk control regulatory standards; PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis. The Group believes that it is not exposed to unusual risks as these financial institutions are PRC banks with high credit quality. The Group had not experienced any losses on its deposits of cash and cash equivalents during the years ended December 31, 2016, 2017 and 2018 and believes that its credit risk to be minimal.

4 Business acquisition

In November 2018, Beijing VIE acquired 40% equity interest of Myhayo from an independent third party. The Company obtains control over Myhayo with its controlling voting right at the level of both shareholders and board of directors, as the other shareholder of Myhayo expects the operating effectiveness brought about by the control over Myhayo by the Company to be of their best interests. Myhayo and its underlying subsidiary is a mobile content aggregator of articles and short videos in the PRC, which presents customized feeds to users via its mobile application. The Company expects to increase its market share in the PRC online marketing segment, particularly in relation to mobile platforms.

The total purchase consideration for 40% equity interest of Myhayo amounted to US\$726 by cash.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

4 Business acquisition (continued)

The acquisition was recorded as a business combination. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Fair value of consideration transferred:

Cash	726
------	-----

Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash	2,420
Other current assets	6,329
Property and equipment	8
Intangible asset	697
Current liabilities	(6,688)
Deferred tax liabilities	(238)
Non-controlling interests	(1,517)
Total identifiable net assets acquired	1,011
Gain on bargain purchase (Note 21)	285

As of December 31, 2018, purchase consideration payable of US\$726 was settled and there was no adjustment to the purchase consideration amounts.

This business combination resulted in a gain of bargain purchase because the purchase price was lower than the fair value of assets acquired and liabilities assumed. The gain on bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the existing shareholder who has been seeking for strategic investors that could bring synergies to Myhayo. Acquisition-related costs were immaterial and were included in general and administrative expenses for the year ended December 31, 2018.

In determining the fair value of the intangible asset, an income approach was used. In this approach, significant estimates consist of discount rate of 29.4% and a growth rate on revenue ranges from 50% to 106.8%. The estimated amounts recognized on the acquired identifiable intangible asset and its estimated useful life are shown in the following table:

	<u>Estimated useful life</u>	<u>Gross carrying amount</u>
A self-developed computer software and system	4 years	697

Pro-forma results related to the acquisition in accordance ASC 805 have not been presented because the acquisition of Myhayo is not material, where net revenue and net loss of the acquired entity is less than 5% of the Company's consolidated net revenue and net loss for the year ended December 31, 2018.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

5 Cash and cash equivalents and time deposit

Cash and cash equivalents represent cash on hand, cash held at bank, and short-term deposits placed with banks or other financial institutions, which have original maturities of three months or less.

The Group had US\$25,000 and US\$nil of time deposit as of December 31, 2017 and 2018, respectively, with an original maturity of 3.2 months in 2017 denominated in US dollars.

Cash on hand and cash held at bank balance as of December 31, 2017 and 2018 primarily consist of the following currencies:

	As of December 31,			
	2017		2018	
	Amount	equivalent	Amount	equivalent
RMB	50,600	7,694	61,312	8,904
HK\$	18,099	2,332	10,337	1,317
US\$	33,639	33,639	29,185	29,185
SGD	432	323	263	190
TWD	7,014	235	5,700	181
Euro ("EUR")	106	126	38	43
Others	67	52	6	8
		<u>44,401</u>		<u>39,828</u>

6. Long-term investment

The Company's long-term investment consists of equity investment at fair value without readily determinable fair value purchased in 2018. Equity security without a readily determinable fair value and over which the Company has neither significant influence nor control through investments in common stock or in-substance common stock. The carrying value of the equity security without readily determinable fair values was US\$503 as of December 31, 2018. There was no fair value change related to the investment for the year ended December 31, 2018. The investment is not considered material to the Company's financial position.

As of December 31, 2017 and 2018, the Company made investment in equity investment without a readily determinable fair value with an amount of US\$nil and US\$503, respectively.

7 Accounts receivable, net

	As of December 31,	
	2017	2018
Accounts receivable, gross	42,276	67,134
Less: allowance for doubtful accounts	(1,478)	(1,507)
Accounts receivable, net	<u>40,798</u>	<u>65,627</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

7 Accounts receivable, net (continued)

The following table presents the movement in the allowance for doubtful accounts:

	For the years ended December 31,		
	2016	2017	2018
Balance at the beginning of year	1,733	1,693	1,478
Additions for the year	99	910	92
Recoveries	—	(40)	—
Accounts receivable written off	(99)	(1,134)	(15)
Exchange differences	(40)	49	(48)
Balance at the end of year	<u>1,693</u>	<u>1,478</u>	<u>1,507</u>

8 Other assets

The other assets consist of the following:

	As of December 31,	
	2017	2018
Current		
Deposits	2,248	984
Prepayments	266	1,262
VAT receivable	379	325
Others	214	671
	<u>3,107</u>	<u>3,242</u>
Non-current		
Rental deposits	284	232
	<u>284</u>	<u>232</u>

9 Property and equipment, net

Property and equipment consist of the following:

	As of December 31,	
	2017	2018
Cost:		
Office equipment	4,661	4,327
Leasehold improvements	1,763	1,487
Furniture and fixtures	753	693
Total cost	7,177	6,507
Less: Accumulated depreciation	(5,882)	(6,046)
Exchange differences	(130)	(132)
Property and equipment, net	<u>1,165</u>	<u>329</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

9 Property and equipment, net (continued)

Depreciation expense recognized for the years ended December 31, 2016, 2017 and 2018 are summarized as follows:

	For the years ended December 31,		
	2016	2017	2018
Cost of revenues	11	6	6
Research and development	199	108	124
Sales and marketing expenses	838	582	504
General and administrative expenses	464	667	425
Total	1,512	1,363	1,059

10 Intangible assets, net

Intangible assets consist of the following:

	As of December 31,	
	2017	2018
Cost:		
Computer software	21,593	22,382
Less: Accumulated amortization		
Computer software	(10,994)	(15,136)
Exchange differences	1	1
Intangible assets, net	10,600	7,247

Amortization expense recognized for the years ended December 31, 2016, 2017 and 2018 are summarized as follows:

	For the years ended December 31,		
	2016	2017	2018
Cost of revenues	4,149	4,147	4,147
Research and development	28	3	1
Sales and marketing expenses	19	17	3
General and administrative expenses	116	54	16
Total	4,312	4,221	4,167

The estimated aggregate amortization expense for each of the next five years as of December 31, 2018 is:

	Computer software
2019	4,361
2020	2,498
2021	215
2022	173
2023	—
	7,247

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

11 Goodwill

Movements on goodwill during the year were as follows:

	<u>Buzzinate</u>	<u>OptAim</u>	<u>Total</u>
Balance as of January 1, 2017, December 31, 2017 and 2018	2,958	45,538	48,496

Goodwill is not deductible for tax purposes. The Group performs the annual impairment test on December 31 of each year using a two-step process as explained in Note 2(p). In the first step of the goodwill impairment test, the Group estimated the fair value of its reporting unit using the market approach. Under the market approach, the Company utilized the market capitalization of its publicly-traded shares to determine the fair value of the Group, as a single reporting unit. According to the assessment of the first step, the fair value of the reporting unit exceeded its carrying amount and goodwill was not considered impaired. Accordingly, the second step was not required. Based on the impairment tests performed, no impairment of goodwill was recorded for all years presented.

12 Deferred revenue

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
Deferred revenue, current	33,037	27,191

13 Accrued liabilities and other liabilities

Accrued liabilities and other liabilities consist of the following:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
Current		
Rebates payable to customers	3,257	2,209
VAT and other taxes payable	2,659	3,548
Security deposit received from customers	686	551
Accrued employee benefits	2,741	3,980
Accrued professional fees	4,167	3,359
Accrued marketing and hosting expense	1,831	1,342
Others	788	1,359
	<u>16,129</u>	<u>16,348</u>
Non-current		
Deferred other income	—	673

14 Bank borrowings

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
1-year revolving loan denominated in RMB (Note (i), (v))	7,603	—
Half-year revolving loans denominated in RMB (Note (i), (ii), (v))	—	9,439
1-year revolving loan denominated in US\$ (Note (iii))	2,800	—
2-year demand loan agreement denominated in US\$ (Note (iv))	83	—
	<u>10,486</u>	<u>9,439</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

14 Bank borrowings (Continued)

Note:

- (i) On December 27, 2017, the Company, through its PRC subsidiaries, renewed a one-year revolving loan agreement with a bank amounting to RMB50 million (equivalent to US\$7,603). The interest rate of this loan facility was the benchmark interest rate determined by the People's Bank of China for loans over one year granted by financial institutions plus 1.65% per annum. This loan was subsequently renewed for one year in December 2018 of limit up to RMB70 million. Out of this loan facility, the PRC subsidiaries had utilized RMB50 million (equivalent to US\$7,261) at the interest rate determined by the People's Bank of China for loans over half year granted by financial institutions plus 2.65% per annum.
- (ii) On September 21, 2018, the Company, through a PRC subsidiary, entered into a half-year revolving loan agreement with a bank of limit up to RMB30 million. Out of this loan facility, the PRC subsidiary had utilized RMB15 million (equivalent to US\$2,178). The Company provides corporate guarantee and accounts receivable as pledge to secure the obligations under this revolving loan. The interest rate of this loan facility was the benchmark interest rate determined by the People's Bank of China for loans over half year granted by financial institutions plus 2.65% per annum.
- (iii) On December 21, 2016, the Company, through a Hong Kong subsidiary, renewed a one-year loan facility agreement with a bank amounting to US\$3,000. Out of this loan facility, the Hong Kong subsidiary had utilized US\$2,800 as of December 31, 2017. The interest rate of this short-term loan facility was determined by three-month LIBOR plus 5.55% for the year ended December 31, 2017. The loan was repaid on December 20, 2018.
- (iv) On January 20, 2016, the Company, through a Hong Kong subsidiary, entered into a two-year loan agreement with a bank amounting to US\$2,000. Out of this loan facility, the Hong Kong subsidiaries had utilized US\$83 as of December 31, 2017. The interest rate of this loan was the benchmark interest rate determined by three-month LIBOR plus 7.00% per annum. The bank facility agreement includes repayable on demand clauses such that the bank borrowing are classified as current liabilities as of December 31, 2017. The loan was repaid on January 20, 2018.
- (v) As of December 31, 2017 and 2018, certain financial covenants (minimum monthly adjusted quick ratio and minimum quarterly EBITDA as defined in the banking facilities agreements) as set out in these loan agreements have been breached. The relevant subsidiaries have obtained waiver letters for waiving the requirements to meet the financial covenants. As of the date of this report, the bank cannot demand for immediate repayment.
- (vi) In March 2017, the Company entered into a facility agreement for working capital loans with a bank, which provides for a RMB30 million (equivalent to approximately US\$4.3 million) 18-month revolving loan. The Company provide corporate guarantee and accounts receivable as pledge to secure the obligations under this revolving loan. The interest rate of this loan facility is fixed at 5.75% per annum. As of December 31, 2017 and 2018, the Company had not drawn down under this revolving loan.

The weighted average interest rate for bank loans outstanding as of December 31, 2017 and 2018 was 6.33% and 7.00% per annum, respectively. Other than those shown above, the Company did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2017 and 2018.

15 Convertible notes at fair value

On September 12, 2018, the Company issued US\$30,000 of zero-coupon convertible notes ("the Notes") at par. The Notes mature on September 12, 2023 and are non-interest bearing, unless the Notes are redeemed or repaid upon the occurrence of events of default or relevant events as defined in the agreement whereby an interest of 5% per annum would be charged. The Company considers the likelihood of occurrence of events or relevant events as defined in the agreement to be remote.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

15 Convertible notes at fair value (Continued)

Holder of the Notes has the option to convert the Notes at any time on or after October 22, 2018 up to the close of business of the maturity date (the "Conversion Period"). Any outstanding principal amount not converted within the Conversion Period will mandatorily be converted on the maturity date. The Notes can be converted into the Company's ADSs at a conversion price of 92% of the lowest of (i) the volume weighted average prices ("VWAP") of the ADSs over the period from the issue date to the conversion date, (ii) the VWAP of the ADSs over the five trading day period preceding the conversion date, and (iii) a fixed price of USD8. Notwithstanding the foregoing, in no event will the Conversion Price be less than USD2.78. The Company will not issue any fractional ADSs upon conversion of the Notes and will instead pay cash in lieu of any fractional ADSs deliverable upon conversion.

If the VWAP of ADSs on the conversion date is lower than that on September 12, 2018, the Company may make an election to settle in whole by paying the holder of the Notes a cash alternative amount (which is equivalent to principal amount to be converted divided by 92%).

Notwithstanding anything to the contrary in the Notes, no ordinary shares (including ordinary shares represented by ADSs) will be delivered to the Notes holder if such delivery would result in the aggregate number of ordinary shares (including ordinary shares represented by ADSs) to be delivered taken together with the aggregate number of ordinary shares delivered by the Company since the issue date to exceed 19.9% of the Company's outstanding common stock as of the issue date (the "Share Cap"). In such event, the Company's obligation will be satisfied by delivering the maximum number of ADSs such that the delivery does not exceed the Share Cap and any portion of the principal amount that is not so converted will be settled by the Company by paying the cash settlement amount ("Cash Settlement Amount") to such converting holder. The Cash Settlement Amount is the remaining amount divided by 92%.

Concurrently with the issuance of the Notes, the Company offered a put option to the holder of the Notes, whereby the holder has the right to require the Company to repurchase all of the outstanding Notes for cash at a price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to the repurchase date in case of the occurrence of any of the relevant events as defined in the agreement prior to the maturity date. The Company considers the likelihood of occurrence of such relevant events to be remote. The Company also concluded that the feature of contingent put options being considered clearly and closely related to its debt host does not need to be considered as an embedded derivative to be bifurcated.

For both the convertible debt and conversion option which are recognized as financial liabilities, the Company has elected the fair value option under ASC 825-10 to measure the entire instrument at fair value with realized or unrealized gains and losses recorded in the consolidated statements of comprehensive loss. Also, ASC 825-10-25-11 requires financial instrument that is legally a single contract not to be separated into parts for purposes of applying the fair value option.

Issuance costs related to the Notes for which the fair value option is elected amounting to US\$2,190 have been recognized in earnings as incurred and not deferred in accordance with ASC 825-10-25-3.

The fair value of the Notes was determined using a Monte Carlo simulation with the key assumptions being volatility of 44.32% and risk-free interest rate of 2.52%. The volatility was based on the implied historical volatility of certain comparable companies. The risk-free interest rate is equal to the yield, as of the measurement date, of the zero-coupon U.S. Treasury bill that is commensurate with the remaining period until the maturity of the Notes.

16 Redeemable convertible preferred shares*Series A preferred shares*

On February 17, 2010, the Company entered into an agreement ("Series A Agreement") to issue Series A preferred shares and preferred share warrants to a third-party investor ("Investor A") for a total cash consideration of US\$1,200. Accordingly, the Company issued 1,142,857 Series A preferred shares at US\$1.05 per share; and warrants to purchase 342,857 Series A preferred shares at US\$1.05 per share ("Series A Warrants") at the option of Investor A. Pursuant to the Series A Agreement, the Company also granted an option, exercisable within one year from the date of agreement, to Investor A where the Company would issue 761,905 Series A preferred shares at US\$1.05 per share ("Series A-1 preferred shares") and warrants to purchase 228,571 Series A preferred shares at US\$1.05 per share ("Series A-1 Warrants") at the option of Investor A. On September 29, 2010, Investor A exercised the option and the Group received a total consideration of US\$800. During the year ended December 31, 2013, both Series A Warrants and Series A-1 Warrants were fully exercised.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

16 Redeemable convertible preferred shares (Continued)

Series A preferred shares (Continued)

In December 2017, Series A preferred shares had been automatically converted into 2,476,190 Class A ordinary shares after closing of IPO.

Series B preferred shares

On February 21, 2011, the Company entered into agreements (“Series B Agreements”) to issue Series B preferred shares and preferred share warrants to two other third-party investors (“Investors B”) for an aggregate cash consideration of US\$7,000. Pursuant to the Series B Agreements, the Company issued 1,266,667 Series B preferred shares at US\$5.53 per share; and warrants to purchase 542,858 Series B preferred shares at US\$5.53 per share (“Series B Warrants”) at the option of Investors B. During the year ended December 31, 2013, the Series B Warrants were fully exercised.

On May 16, 2011, the Company entered into an agreement (“Series B-1 Agreement”) to issue additional Series B preferred shares to another third-party investor (“Investor B-1”) for a total consideration of US\$4,285 (“Series B-1 preferred shares”). Pursuant to the Series B-1 Agreement, the Company issued 723,808 Series B-1 preferred shares at US\$5.92 per share.

On September 24, 2015, the Company repurchased from Investor B-1 723,808 Series B-1 preferred shares at a consideration of US\$11,581.

For accounting purposes, the Company determined the per share fair value of Series B-1 preferred shares to be US\$19.58 on September 24, 2015, the date of repurchase. The per share repurchase price of US\$16.00 was mutually negotiated at the time of the repurchase transaction. There were no other arrangements with Investor B-1. Investor B-1 was willing to sell its Series B-1 preferred shares at the US\$16.00 per share price as it would provide liquidity to Investor B-1. For the Series B-1 preferred shares repurchased, the Company recorded the excess of purchase price over the carrying value of US\$2,591 to accumulated deficit as deemed contribution from Series B-1 preferred shareholders.

In December 2017, Series B preferred shares had been automatically converted into 1,889,249 Class A ordinary shares after closing of IPO.

Series C preferred shares

On December 16, 2013, the Company entered into an agreement (“Series C Agreement”) to issue Series C preferred shares to another third-party investor (“Investor C”) for a total cash consideration of US\$13,000. Pursuant to the Series C Agreement, the Company issued 1,599,186 Series C preferred shares at US\$8.13 per share.

In December 2017, Series C preferred shares had been automatically converted into 1,599,186 Class A ordinary shares after closing of IPO.

Series D preferred shares

On December 30, 2014, the Company entered into an agreement (“Series D Agreement”) to issue Series D preferred shares to another third-party investor (“Investor D”) for a total cash consideration of US\$48,000. Pursuant to the Series D Agreement, the Company issued 2,493,018 Series D preferred shares at US\$19.25 per share.

The Company was also obligated to issue additional Series D preferred shares to Investor D at no consideration, the total number of which is based on a formula stipulated in the agreement, if the gross billing of the Group as defined in the Series D Agreement for the year ended December 31, 2017 is less than US\$85,000. Considering the gross billing of the Group as defined in the Series D Agreement for the year ended December 31, 2017 was more than US\$85,000, no additional Series D preferred shares were issued.

In December 2017, Series D preferred shares had been automatically converted into 2,493,018 Class A ordinary shares after closing of IPO.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

16 Redeemable convertible preferred shares (Continued)

Series E preferred shares

On December 28, 2016, the Company entered into an agreement (“Series E Agreement”) to issue Series E preferred shares to another third-party investor (“Investor E”) for a total cash consideration of US\$20,000. Pursuant to the Series E Agreement, the Company issued 1,068,114 Series E preferred shares at US\$18.72 per share.

In December 2017, Series E preferred shares had been automatically converted into 1,068,114 Class A ordinary shares after closing of IPO.

The key terms of the Series A, B, C, D and E preferred shares are as follows:

Dividend rights

Subject to the approval and declaration by the Board of Directors, the holders of the preferred shares are entitled to receive dividends in the following order:

- Series E preferred shareholders are entitled to receive dividends at an amount equal to 8% of the issue price prior to and in preference to any dividend on the Series D preferred Shares, Series B preferred shares, Series A preferred shares, Series C preferred shares and ordinary shares or any other class or series of shares
- the Series D preferred shareholders are entitled to receive dividends at an amount equal to 8% of the issue price prior to and in preference to any dividends on the Series B, Series A and Series C preferred shares and ordinary shares or any other class or series of shares;
- the Series B preferred shareholders are entitled to receive dividends at an amount equal to 8% of the issue price prior to and in preference to any dividends on the Series A and Series C preferred shares and ordinary shares or any other class or series of shares;
- the Series A preferred shareholders are entitled to receive dividends at an amount equal to 8% of the issue price prior to and in preference to any dividends on the Series C preferred shares and ordinary shares or any other class or series of shares;
- any remaining dividends shall be distributed on a pro rata basis to holders of all the preferred shares and ordinary shares on a fully diluted and as-if converted basis.

Voting rights

The holders of the Series A, B, C, D and E preferred shares shall be entitled to such number of votes equal to the whole number of ordinary shares into which such Series A, B, C, D and E preferred shares are convertible.

Liquidation preference

In the event of a liquidating transaction as defined in the Company’s Memorandum and Articles of Association as 1) a winding up or other dissolution of the Company or any of its subsidiaries, 2) a merger or acquisition of the Company or any of its subsidiaries in which the shareholders of the Company do not directly or indirectly own a majority of the outstanding shares of the surviving corporation, 3) a sale of all or substantially all of the assets of the Company or assets of its subsidiaries, or 4) government policies promulgated or interpreted after the closing that prohibit investment or exit of the Company by foreign investors, provided, that, in the case of 2) and 3), only when such merger, acquisition or sale implies a valuation of the Company on a fully diluted basis of less than US\$550,000, available assets and funds are distributed as following manner.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

16 Redeemable convertible preferred shares (Continued)

Liquidation preference (Continued)

The holders of Series E, Series D, Series B and Series A preferred shares are entitled to receive an amount equal to i) 110% prior to or on December 28, 2017 or ii) 120% from January 1, 2018, 150%, 150% and 200%, respectively, of the issue price as defined in the Company's Memorandum and Articles of Association (adjusted for share dividends, splits, combinations, recapitalizations or similar events, and plus all accrued or declared but unpaid dividends thereon minus all paid cash or non-cash dividends and distributions paid thereon since issue date). If the assets of the Company shall be insufficient to make the payment of the amount in full, then the assets of the Company shall be distributed ratably to the holders of preferred shares in proportion to the amount each holder would otherwise be entitled to receive in order of 1) Series E, 2) Series D, 3) Series B and then 4) Series A.

If the liquidating transaction is a qualified merger or acquisition of the Company in which the shareholders of the Company do not directly or indirectly own a majority of the outstanding shares of the surviving corporation or a sale of all or substantially all of the assets of the Company, in each case, which implies i) an equity valuation of the Group of US\$300,000 or higher, the distribution to the holders of Series B and Series A preferred shares shall be reduced to 0% of issue price or ii) an equity valuation of the Group of US\$250,000 or higher, but lower than US\$300,000, the distribution to the holders of Series B and Series A preferred shares shall be reduced to 100% of issue price as defined in the Company's Memorandum and Articles of Association.

After the full amount has been paid to holders of Series E, Series D, Series B and Series A, any remaining funds or assets of the Company legally available for distribution shall be distributed pro rata among the holders of preferred shares on an as-converted basis together with the holders of the ordinary shares.

Conversion rights

Each share of the Series A, B, C, D and E preferred shares is convertible at the option of the holder, at any time after the issuance of such shares, and each share can be converted into one ordinary share of the Company. The conversion is subject to adjustments for certain events, including but not limited to additional equity securities issuance share dividends, distribution, subdivisions, redemptions, combinations, or consolidation of ordinary shares. The conversion price is also subject to adjustment in the event the Company issues additional ordinary shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution on a weighted average basis.

In addition, each share of the Series A, B, C, D and E preferred shares would automatically be converted into ordinary shares of the Company (i) upon the closing of an initial public offering of the Company's shares or (ii) upon the election of holders of at least a majority of the then issued and outstanding preferred shares, voting together as a single class on an as-if-converted basis.

The Company has determined that there was no BCF attributable to the Series A, A-1, B, B-1, C, D and E preferred shares because the accounting conversion of these preferred shares upon issuance were higher than the fair value of the Company's ordinary shares as determined by the Company with the assistance from an independent valuation.

Anti-dilution provision

Pursuant to the provisions of Series B Agreement, there is an anti-dilution provision which prevents the original ownership interest of ordinary shares, Series B preferred shares and Series B preferred share warrants (as if converted into Series B preferred shares) owned by Investors B to be diluted.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

16 Redeemable convertible preferred shares (Continued)

Anti-dilution provision (Continued)

In May 2011, the Company issued 457,611 ordinary shares of the Company to Mr. Cong and Mr. Liu in exchange for Mr. Cong and Mr. Liu would procure the grant of an exclusive reseller agreement from Baidu Online Network Technology (Beijing) Co. Ltd. (“Baidu”) for Hong Kong, Macau, Taiwan and Singapore for a period up to December 31, 2012. In accordance with the Series B Agreement, the issuance of the ordinary shares was considered an event which triggered the anti-dilution provision. As a result, the Company was required to issue additional 100,452 ordinary shares and 55,807 Series B preferred shares and to amend the conversion price of Series B preferred share warrants to maintain the original ownership interests of these ordinary shares, preferred shares and preferred shares warrants owned by Investors B. There were no BCF for the issuance of additional Series B preferred shares and the value of the additional ordinary shares and Series B preferred shares issued amounted to US\$421 and US\$320, respectively, was charged to additional paid-in capital as a deemed dividend.

Although the anti-dilution provision was triggered in May 2011, the Company only issued the additional ordinary shares and Series B preferred shares in May 2013. Accordingly, the Company recorded such obligation to issue additional ordinary shares and Series B preferred shares as liabilities until the corresponding ordinary shares and preferred shares were issued in May 2013.

Redemption right

The Series A and B preferred shares are redeemable at any time after the earlier of: (i) the 4th anniversary of the closing of sale and purchase of the Series A Agreement and Series B Agreement, respectively; or (ii) the occurrence of a material breach as defined in the subscription agreements.

The holders of Series C preferred shares can redeem the preferred shares at any time after the earlier of: (i) the 2nd anniversary of the closing of sale and purchase of the Series C Agreement; (ii) the occurrence of any liquidating transaction as defined in the subscription agreements; (iii) Mr. Hsieh, Wing Hong Sammy, ceasing to exert day-to-day management and operational control over the Group; or (iv) any holder of the Series B preferred shares or the Series A preferred shares or the Series D preferred shares or the Series E preferred shares electing for redemption.

The holders of Series D preferred shares can redeem the preferred shares at any time after the earlier of: (i) the 2nd anniversary of the closing of sale and purchase of the Series D preferred shares; (ii) the occurrence of any liquidating transaction as defined in the subscription agreements; (iii) Mr. Hsieh, Wing Hong Sammy, ceasing to exert day-to-day management and operational control over the Group; (iv) the occurrence of material breach of any warranty and covenants specified in the Series D Agreement; or (v) any holder of the Series A, Series B, or Series C preferred shares electing for redemption.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

16 Redeemable convertible preferred shares (Continued)*Redemption right (Continued)*

The holders of Series E preferred shares can redeem the preferred shares at any time after the earlier of: (i) the occurrence of any liquidating transaction as defined in the subscription agreements; (ii) the failure of the Group to achieve the following targets: (1) the audited consolidated revenues from the principal business (excluding any non-operating and non-recurring revenue) of the Group as of and for the twelve months ending on December 31, 2017 being no less than US\$200,000; and (2) the audited consolidated revenues from the principal business (excluding any non-operating and non-recurring revenue) of the Group as of and for the twelve months ending on December 31, 2018 being no less than US\$300,000; (iii) the termination of the employment with the relevant Group Company by Mr. Hsieh, Wing Hong Sammy, Tang Jian or Lee, Yanshu before the consummation of a Qualified IPO as defined in the Company's Memorandum and Articles of Association (i.e. the first firm commitment underwritten registered public offering by the Company of its ordinary shares for its own account that results in such securities being listed or registered on NASDAQ, New York Stock Exchange, Hong Kong Stock Exchange, the Shenzhen Stock Exchange, Shanghai Stock Exchange or such other international recognized stock exchange approved in writing by certain of its preferred shareholders with an implied market capitalization of the Company immediately prior to such offering of not less than US\$600 million; and which results in aggregate net proceeds to the Company of not less than US\$150 million); (iv) the failure of the Company to consummate a Qualified IPO prior to or on June 30, 2018 (iv) the occurrence of material breach of any warranty and covenants specified in the Series E Agreement; or (v) any holder of the Series A, Series B, Series C or Series D preferred shares electing for redemption.

The redemption price for Series A and B preferred shares is equal to the greater of (1) 200% or 150%, respectively, of the original issue price (plus all declared but unpaid dividends) or (2) the fair market value of the preferred shares subject to redemption as determined by an independent appraiser. With respect to the redemption price for Series C preferred shares, it is equal to 200% of the original issue price (proportionally adjusted for share splits and stock dividends). For the redemption price for Series D preferred shares, it shall be equal to the greater of (1) a price reflecting an implied valuation (on a fully-diluted basis) of the Company at US\$500,000, (2) the highest redemption price that would have been received by any other shareholders of the Company if their shares have become redeemable (proportionally adjusted for share splits and stock dividends), or (3) a price reflecting the implied valuation (on a fully-diluted basis) of the Company used in any liquidating transaction as defined in the Company's Memorandum and Articles of Association. For the redemption price for Series E preferred shares is equal to the greater of (1) 100% of the Series E issue price, plus 9.5% annual compound interest thereon calculated from the Series E original issue date to the date of receipt of the Series E redemption price, plus all declared but unpaid dividends thereon to the date of redemption, proportionally adjusted for stock splits, stock dividends, and the like, or (2) the highest redemption price that would have been received by any other shareholder of the Company if their shares have become redeemable, proportionally adjusted for stock splits, stock dividends, or (3) a price reflecting the implied valuation (on a fully-diluted basis) of the Company used in any Liquidating Transaction as defined in the Company's Memorandum and Articles of Association.

Upon the completion of Series D Agreement, the redemption date of Series A, A-1, B, B-1 and C preferred share was changed to December 30, 2016. The redemption date of Series A, A-1, B, C and D preferred share was further changed to December 28, 2018 upon the completion Series E Agreement. Such change was considered as a modification and no gain or loss was recorded. However, considered the modification was occurred in connection with the issuance of Series D preferred shares and Series E preferred shares, there was a transfer of value from the existing preferred shareholders to new preferred shareholders and ordinary shareholders. With respect to the modification relating to the issuance of Series D preferred share, the transfer of value was considered insignificant. For the modification relating to the issuance of Series E preferred share, the transfer of value was recorded from additional paid in capital to retained earnings.

The Company has determined that the Series A, A-1, B, B-1, C, D and E preferred shares should be classified as mezzanine equity after considering the features of the preferred shares as described above. The conversion features and redemption features as mentioned below, Series A Warrants, Series A-1 Warrants and Series B Warrants are initially measured at its fair value and the initial carrying value for Series A, A-1, B, B-1, C, D and E preferred shares is allocated on a residual basis as the warrants are liability classified. There were no BCF for the Series A, A-1, B, B-1, C, D and E preferred shares.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

16 Redeemable convertible preferred shares (Continued)*Redemption right (Continued)*

The Company has determined that conversion feature embedded in the Series A, A-1, B, B-1, D and E preferred share is required to be bifurcated and accounted for as derivative liabilities as the economic characteristics and risks of the embedded conversion are not clearly and closely related to that of the preferred shares and there is a mechanism in place for net settlement. However, Series C preferred shares does not have a mechanism in place for net settlement and therefore, bifurcation is considered unnecessary.

The Company has also determined the redemption feature embedded in the Series C, D and E preferred shares is required to be bifurcated and accounted for as derivative liabilities as the economic characteristics and risk of the embedded redemption features are not clearly and closely related to that of the preferred shares. For Series A, A-1, B and B-1 preferred shares, the corresponding redemption feature is not required to be bifurcated and accounted for as derivative liabilities as the economic characteristic and risk of the embedded redemption feature are clearly and closely related to that of the preferred shares.

Due to the redemption features described above with respect to Series A, A-1, B and B-1 preferred shares, the Company recognizes the changes in the redemption value immediately as they occur by way of accreting their respective carrying amounts to the redemption value to the first redemption date, using the effective interest method. The accretion is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit of the Company.

In determining the fair value of these preferred shares for purposes of determining the conversion feature and redemption feature as of December 31, 2017, a business valuation of the Company was estimated. Significant factors, assumptions and methodologies used in determining the business valuation include applying the discounted cash flow approach, and such approach involves certain significant estimates which are as follows:

	<u>As of December 31,</u> <u>2017</u>
Terminal growth rate	3.0%
Weighted average cost of capital	18.3%
Growth rate on average spending per customer	3.0% - 19.0%

Series A

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Beginning balance	5,597	—
Accretion to redemption value	235	—
Conversion to Class A ordinary shares	(5,832)	—
Ending balance	<u>—</u>	<u>—</u>

Series B

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Beginning balance	9,807	—
Accretion to redemption value	1,427	—
Conversion to Class A ordinary shares	(11,234)	—
Ending balance	<u>—</u>	<u>—</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

16 Redeemable convertible preferred shares (Continued)*Series C*

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Beginning balance	10,733	—
Conversion to Class A ordinary shares	(10,733)	—
Ending balance	<u>—</u>	<u>—</u>

Series D

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Beginning balance	43,956	—
Gain from waiver on anti-dilution	(632)	—
Conversion to Class A ordinary shares	(43,324)	—
Ending balance	<u>—</u>	<u>—</u>

Series E

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Beginning balance	18,845	—
Issuance of preferred shares	—	—
Conversion to Class A ordinary shares	(18,845)	—
Ending balance	<u>—</u>	<u>—</u>

17 Redeemable ordinary shares

On December 30, 2014, concurrent with the issuance of Series D preferred shares to Investor D, the Company issued 742,320 ordinary shares to Investor D at US\$16.17 per share, of which 99,022 shares were transferred from treasury shares held by the Company and 643,298 shares were newly issued shares. The aggregate consideration was US\$12,000.

Investor D shall have an option to require the Company to repurchase all of the ordinary shares if a qualified IPO is not consummated by the 2nd anniversary of the closing of sale and purchase of the Series D preferred shares. The redemption price shall equal to the issue price, plus accrued interest at a non-compound interest rate of 12% per annum. In December 2016, the redeemable date of the ordinary shares was further changed to December 28, 2017 upon the completion of Series E Agreement. The change in value of such modification was insignificant.

As these ordinary shares are contingently redeemable, they are classified as mezzanine equity. The Company recognizes the accretion charge using the effective interest method.

In December 2017, redeemable ordinary shares had been automatically converted into 742,320 Class A ordinary shares after the closing of IPO.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

18 Ordinary shares

The Company's Memorandum and Articles of Association authorizes the Company to issue 100,000,000 shares of US\$0.001 par value per ordinary share as of December 31, 2017 and 2018, respectively. Each ordinary share is entitled to one vote in shareholders meeting of the Company. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, which is subject to the approval by the holders of the number of ordinary shares and Series A, B, C, D and E preferred shares representing a majority of the aggregate voting power of all outstanding shares. As of December 31, 2017 and 2018, there were 26,059,433 and 27,986,700 ordinary shares outstanding, respectively.

At the time the Company adopted the 2010 Employee Share Option Plan (the "2010 Share Option Plan") and 2018 Post IPO Share Incentive Plan, the Company, together with the then shareholders, also decided to allot ordinary shares with par value of US\$0.001 to Arda Holdings Limited ("Arda"), a British Virgin Islands company owned by the Group's chairman and chief executive officer at no consideration. Arda will only hold these ordinary shares on trust for the benefit of the employees who are under the 2010 Share Option Plan and 2018 Post IPO Share Incentive Plan and the dealing of these ordinary shares is under the direction of the board of directors of the Company. The Company considered Arda to be a variable interest entity as this entity has no equity at risk. The Company further considered that it is the primary beneficiary because the purchase of Arda is to hold treasury shares on behalf of the Company and the dealings of those transactions are under the direction of the Company's board of directors. Given the structure of this arrangement, while these ordinary shares have been legally issued, they do not bear the attributes of unrestricted, issued and outstanding shares. Therefore, the ordinary shares issued to Arda are accounted for as treasury shares of the Company until these ordinary shares are earned by the Company's employees, officers, directors or consultants for service provided to the Group. The Company allotted 627,811 shares during the year the 2010 Share Option Plan was adopted. No additional shares have been allotted during the years ended December 31, 2016, 2017 and 2018 to Arda. Arda does not hold any other assets or liabilities as at December 31, 2017 and 2018, nor earn any income nor incur any expenses for the years ended December 31, 2016, 2017 and 2018.

In December 2017, the Company completed its initial public offering in which the Company newly issued 2,156,250 Class A ordinary shares and all of the Company's Series A, Series B, Series C, Series D, Series E preferred shares and redeemable ordinary shares were automatically converted into 10,268,077 Class A ordinary shares.

Immediately prior to the completion of IPO in December 2017, the Company redesignated 2,500,580 Class A ordinary shares held by Wing Hong Sammy Hsieh and 2,320,028 Class A ordinary shares held by Jian Tang into Class B ordinary shares on a one-for-one basis. The holders of Class A ordinary shares shall have one vote in respect of each Class A ordinary share held, the holders of Class B ordinary shares shall have twenty votes in respect of each Class B ordinary share held.

As of December 31, 2018, the Company is authorized to issue 100,000,000 shares of US\$0.001 par value per ordinary share, out of which 80,000,000 shares are Class A ordinary shares and 20,000,000 shares are Class B ordinary shares.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

19 Repurchase of shares

In November 2018, the board of directors of the Company authorized a share repurchase program (the "Repurchase Program") whereby the Company may repurchase up to US\$10,000 of the common shares or ADSs of the Company from November 28, 2018 to November 27, 2019. The share repurchases may be made on the open market at prevailing market prices, in negotiated transactions off the market, and/or in other legally permissible means from time to time as market conditions warrant in compliance with applicable requirements of Rule 10b5-1 and/or Rule 10b-18 under the U.S. Securities Exchange Act of 1934, as amended, at times and in such amounts as the Company deems appropriate. The Company has publicly announced the Repurchase Program on November 28, 2018.

The following table is a summary of the shares repurchased by the Company during 2018 under the share repurchase program. No shares were repurchased during 2018 except during the month indicated and all shares were purchased through publicly purchasing from the open market pursuant to the share repurchase program.

<u>Period</u>	<u>Total Number of ADSs Purchased as Part of the Publicly Announced Plan</u>	<u>Average Price Paid Per ADS</u>
December 20, 2018	10,000	3.7175
For the year ended December 31, 2018	<u>10,000</u>	

During the years ended December 31, 2016, 2017 and 2018, nil, nil and 10,000 ADSs were repurchased at an aggregate consideration of US\$nil, US\$nil and US\$37 under the Repurchase Program. The remaining unused amount of US\$9,963 will no longer be available for repurchase after November 27, 2019.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

20 Share-based compensation

(a) Share option plan

The Company's 2010 Share Option Plan provides for the grant of incentive share options to the Company's employees, officers, directors or consultants. The Company's board of directors administers the 2010 Share Option Plan, selects the individuals to whom options will be granted, determines the number of options to be granted, and the term and exercise price of each option.

During the years ended December 31, 2016, 2017 and 2018, the Company granted share options to non-employees, employees, officers and directors of the Group. These options were granted with exercise prices denominated in the US\$, which is the functional currency of the Company. The table below sets forth information regarding share options granted over the years:

<u>Grant Date</u>	<u>Number of share options</u>	<u>Term (year)</u>	<u>Vesting period (year)</u>	<u>Exercise price at grant date (US\$)</u>
April 1, 2016	32,200	10.25	4.00	20.0000
April 1, 2016	79,116	10.25	4.00	6.0000
July 1, 2016	10,000	10.00	4.00	20.0000
July 1, 2016	1,000	10.00	4.00	12.0000
January 1, 2017	4,400	10.01	4.00	20.0000
January 1, 2017 (Note ii)	180,000	10.01	1.67	0.0010
January 1, 2017	100,800	10.01	4.00	8.1290
April 1, 2017	5,000	10.01	4.00	12.0000
July 1, 2017	12,000	8.51	2.50	8.1290

- (i) The Company modified certain terms of the options in 2017 previously granted on February 1, 2015, which these modifications were related to either the vesting period or the exercise price. The incremental costs resulting from such modifications were assessed to be insignificant.
- (ii) The Company modified certain terms of the options in 2018 previously granted on January 1, 2015 and January 1, 2017, respectively, which these modifications were related to the vesting period and the exercise price. The incremental costs recognized as share-based compensation expense during the year ended December 31, 2018 resulting from such modifications were US\$1,495.

The following table summarizes the share option activity for the years ended December 31, 2016, 2017 and 2018:

	<u>Number of share options</u>	<u>Weighted average exercise price US\$</u>	<u>Weighted average grant date fair value US\$</u>	<u>Weighted average remaining contractual life years</u>	<u>Aggregate intrinsic value US\$'000</u>
At January 1, 2016	1,592,443	4.90		8.58	23,641
Granted	122,316	10.42	13.81		
Exercised	(68,135)	2.51			
Forfeited	(154,439)	7.14			
At December 31, 2016	<u>1,492,185</u>	<u>5.23</u>		<u>7.80</u>	<u>18,631</u>
Vested and expected to vest at					
December 31, 2016	1,083,293	4.25	9.64	7.15	14,494
Exercisable to vest at December 31, 2016	928,597	3.68	10.77	7.44	12,615

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

20 Share-based compensation (Continued)

(a) Share option plan (Continued)

The following table summarizes the share option activity for the years ended December 31, 2016, 2017 and 2018: (Continued)

	Number of share options	Weighted average exercise price US\$	Weighted average grant date fair value US\$	Weighted average remaining contractual life years	Aggregate intrinsic value US\$'000
At January 1, 2017	1,492,185	5.23		7.80	18,631
Granted	302,200	8.37	11.67		
Exercised	(25,898)	2.37			
Forfeited	(225,911)	7.34			
At December 31, 2017	<u>1,542,576</u>	<u>5.62</u>		<u>7.24</u>	<u>19,387</u>
Vested and expected to vest at December 31, 2017	1,199,712	4.75	10.71	6.55	16,081
Exercisable to vest at December 31, 2017	1,118,812	4.72	11.35	6.87	15,035
At January 1, 2018	1,542,576	5.62		7.24	19,387
Exercised	(503,712)	1.28			
Forfeited	(130,455)	9.19			
At December 31, 2018	<u>908,409</u>	<u>7.52</u>		<u>6.27</u>	<u>2,724</u>
Vested and expected to vest at December 31, 2018	862,372	4.69	11.39	5.58	2,793
Exercisable to vest at December 31, 2018	823,341	4.52	12.02	5.88	2,634

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates. Based upon the Company's historical and expected forfeitures for share options granted, the directors of the Company estimated that its future forfeiture rate would be 6% and 11% for employees and 23% and 17% for senior management in 2017 and 2018, respectively.

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of the Company's ordinary shares as of December 31, 2017 and 2018 and the exercise price.

All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognized based on the vesting schedule over the requisite service period. Total fair values of options vested and recognized as expenses as of December 31, 2016, 2017 and 2018 were US\$3,688, US\$3,681 and US\$5,349 respectively.

As of December 31, 2017 and 2018, there were 150,000 share options granted to certain employees which the vesting was subject to the earlier occurrence of any of the following events, either: the Company being approved to be listed on a stock exchange with an expected market capitalization of no less than US\$500,000; or (ii) a merger or acquisition of the Company or any of its subsidiaries at a valuation of US\$500,000 or above in which the shareholders of the Company shall no longer hold a majority of the outstanding shares of the surviving corporation. None of the options were vested as of December 31, 2017 and 2018.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

20 Share-based compensation (Continued)

(a) Share option plan (Continued)

As of December 31, 2017 and 2018, there were US\$4,666 and US\$921 of unrecognized share-based compensation expenses related to share options, which were expected to be recognized over a weighted-average vesting period of 2.04 and 1.14 years, respectively. To the extent the actual forfeiture rate is different from the Company's estimate, the actual share-based compensation related to these awards may be different from the expectation.

The binomial option pricing model is used to determine the fair value of the share options granted to employees and non-employees. The fair values of share options granted/modified during the years ended December 31, 2016, 2017 and 2018 were estimated using the following assumptions:

<u>Date</u>	<u>Risk-free interest rate (Note i)</u>	<u>Dividend yield (Note ii)</u>	<u>Volatility rate (Note iii)</u>	<u>Expected term (in years) (Note iv)</u>
Granted during the years ended December 31, 2016 and 2017:				
April 1, 2016	2.00%	0%	49.37%	NA
July 1, 2016	1.62%	0%	50.52%	NA
January 1, 2017	2.67%	0%	50.75%	NA
April 1, 2017	2.59%	0%	50.79%	NA
July 1, 2017	2.35%	0%	47.59%	NA
Modified during the year ended December 31, 2018:				
September 1, 2018 (Note v)	2.83%	0%	42.72%	NA
September 1, 2018 (Note vi)	2.92%	0%	44.65%	NA

Notes:

- (i) The risk-free interest rate of periods within the contractual life of the share option is based on the yield of US Treasury Strips sourced from Bloomberg as of the valuation dates.
- (ii) The Company has no history or expectation of paying dividends on its ordinary shares.
- (iii) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
- (iv) The time to expire is assumed to be the option's contractual term while early exercise multiples, being 2.2x and 2.8x for general staff and management staff, respectively, and post-vesting employment termination behavior have been factored into the model to derive the fair values of the share options.
- (v) It refers to the modification of options previously granted on January 1, 2015.
- (vi) It refers to the modification of options previously granted on January 1, 2017.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

20 Share-based compensation (Continued)**(b) Post-IPO share incentive plan**

The Company's post-IPO share incentive plan provides for the grant of incentive share options and RSUs to the Company's employees, officers, directors or consultants. The Company's board of directors administers the post-IPO share incentive plan, selects the individuals to whom options and RSUs will be granted, determines the number of options and RSUs to be granted, and the term and exercise price of each option and RSU.

During the year ended December 31, 2018, the Company granted RSUs to non-employees, employees, officers and directors of the Group. The table below sets forth information regarding RSUs granted during the year ended December 31, 2018:

Grant Date	Number of RSUs	Vesting period (year)
September 1, 2018 (Note i)	514,991	0.01
September 17, 2018 (Note i)	53,686	0.03
September 17, 2018 (Note vi)	23,452	0.29
October 25, 2018 (Note i)	100,000	0.02
October 25, 2018 (Note vi)	5,000	0.18
October 29, 2018 (Note vi)	431,760	0.01
October 25, 2018 (Note vi)	138,855	0.00
October 25, 2018 (Note iii)	105,000	3.19
October 25, 2018 (Note iii)	37,500	2.19
October 25, 2018 (Note v)	75,000	—
December 14, 2018 (Note viii)	50,000	2.00
July 1, 2018 (Note iv)	22,000	3.50
July 1, 2018 (Note iv)	118,020	4.00
October 1, 2018 (Note iv)	1,800	4.00
July 1, 2018 (Note vii)	260,810	0.49
July 1, 2018 (Note vii)	12,500	0.54

Notes:

- (i) These RSUs were granted to non-employees for their past services and immediately vested on grant date.
- (ii) These RSUs were granted to employees for their past services and immediately vested on the grant date.
- (iii) These RSUs were scheduled to be vested over two to three years on a monthly basis.
- (iv) These RSUs were scheduled to be vested over four years. One-fourth of the awards shall be vested upon the end of the first semi-anniversary dates of the grants or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight-line basis at the end of the remaining anniversary years.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

20 Share-based compensation (Continued)

(b) Post-IPO share incentive plan (Continued)

- (v) On October 25, 2018, the Company authorized and communicated the issuance of RSUs to an officer of the Company which are subject to certain market conditions based on achievement of average closing stock prices. The Company determines the grant-date fair value of these RSUs using the Monte Carlo simulation model utilizes multiple input variables to determine the stock-based compensation expense. The fair value of these RSUs were US\$5, as determined using a Monte Carlo simulation with the following assumptions: a historical volatility of 37.02%, 0% dividend yield and a risk-free interest rate of 2.90%. The historical volatility was based on the average volatility of the comparable companies for the most recent 2-year period. The stock price projection for the Company assumes a 0% dividend yield. This is mathematically equivalent to reinvesting dividends in the issuing entity over the performance period. The risk-free interest rate is equal to the yield, as of the measurement date, of the zero-coupon U.S. Treasury bill that is commensurate with the remaining performance measurement period. None of these RSUs were forfeited or expired during the year ended December 31, 2018.
- (vi) These RSUs were granted to non-employees for their past services and vested within one year.
- (vii) These RSUs were granted to employees for their past services and vested within one year.
- (viii) This RSU was granted to a non-employee for his service and vest over two years on a quarterly basis starting from the service inception date on January 1, 2019.

The following table summarizes the activity of the service-based RSUs for the year ended December 31, 2018:

	<u>Number of RSUs</u>	<u>Weighted average grant date fair value</u>
At January 1, 2018	—	—
Granted	1,950,374	8.72
Vested	(1,569,792)	9.94
Forfeited	(4,310)	12.70
At December 31, 2018	<u>376,272</u>	<u>8.02</u>
Vested and expected to vest at December 31, 2018	<u>376,272</u>	<u>8.02</u>

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates. Based upon the Company's expected forfeitures for RSUs granted, the directors of the Company estimated that its future forfeiture rate would be 1% for employees and 0% for non-employees in 2018.

All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognized based on the vesting schedule over the requisite service period. Total fair values and intrinsic value of RSUs vested and recognized as expenses as of December 31, 2018 were US\$14,330.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

20 Share-based compensation (Continued)

(c) Issuance of shares to certain employees with performance conditions

On December 28, 2016, the Company authorized and communicated the issuance of restricted ordinary shares of 1,068,114 and 801,086 of the Company to certain employees upon fulfillment of certain performance conditions (mainly financial performance related) for the fiscal years of 2017 and 2018, respectively and these employees have to be remained employed by the Company. Considering the likelihood of achieving the performance conditions are not probable as of December 31, 2017 and 2018, no share-based compensation expense has been recorded. Total fair value of these shares were US\$32,869. Significant factors, assumptions and methodologies used in determining the business valuation include applying the discounted cash flow approach, and such approach involves certain significant estimates. They are terminal growth rate of 3.0%, weighted average cost of capital of 18.3% and growth rate on average spending per customer ranges from 3.0% to 19.0%. All these restricted ordinary shares were forfeited and expired as of December 31, 2018.

(d) Issuance of shares to certain employees

On December 28, 2016, the Company and three of the Company's shareholders agreed to transfer a total of 998,338 shares of the Company's ordinary shares held by them to certain employees of the Company at no cost for services previously provided for. The fair value of the shares transferred and the corresponding share-based compensation expense and additional paid in capital was US\$17,555 and included in general and administrative expenses. In determining the fair value of shares of the Company transferred to these employees, a business valuation of the Company was performed by management with the assistance of an external valuer. Significant factors, assumptions and methodologies used in determining the business valuation include applying the discounted cash flow approach, and such approach involves certain significant estimates. They are terminal growth rate of 3.0%, weighted average cost of capital of 18.3% and growth rate on average spending per customer ranges from 3.0% to 19.0%.

Total compensation costs recognized for the years ended December 31, 2016, 2017 and 2018 are as follows:

	For the years ended December 31,		
	2016	2017	2018
Cost of revenues	52	49	347
Research and development	985	937	6,587
Sales and marketing	2,160	2,179	4,811
General and administrative	18,047	1,907	7,934
Total	21,244	5,072	19,679

21 Other (losses)/gains, net

	For the years ended December 31,		
	2016	2017	2018
Net exchange (loss)/gain	(1,147)	1,257	(857)
Forfeiture of advances from customers (Note (i))	—	432	1,088
Gain on bargain purchase	—	—	285
Others	65	152	171
Total	(1,082)	1,841	687

Note:

- (i) The forfeited advances from customers are recognized as other gains when the contractual obligation of the Company to provide the agreed services no longer existed legally due to passage of time.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

22 Income tax**(i) Cayman Islands**

Under the current tax laws of Cayman Islands, the Company and its subsidiaries are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the years ended December 31, 2016, 2017 and 2018.

(iii) PRC Enterprise Income Tax (“EIT”)

The Company’s subsidiaries, VIE and VIE’s subsidiaries in the PRC are governed by the Enterprise Income Tax Law (“EIT Law”). Pursuant to the EIT Law and its implementation rules, enterprises in the PRC are generally subjected to tax at a statutory rate of 25%.

High and new technology enterprises (“HNTE”) will enjoy a preferential enterprise income tax rate of 15% under the EIT Law. OptAim WFOE, the Company’s subsidiary in the PRC, which is qualified as a HNTE under the EIT Law, is eligible for a preferential enterprise income tax rate of 15% for the period from 2018 to 2020, so long as it obtains approval from relevant tax authority if it is profitable during the period.

In addition, according to the EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax (“WHT”) at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from the Group’s PRC subsidiaries to the Group’s overseas companies unless otherwise exempted pursuant to applicable tax treaties or tax arrangements between the PRC government and the government of other jurisdiction which the WHT is reduced to 5%.

Although there are undistributed earnings of the Company’s subsidiaries in the PRC that are available for distribution to the Company, the undistributed earnings of the Company’s subsidiaries located in the PRC are considered to be indefinitely reinvested, because the Group does not have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future and intends to retain most of its available funds and any future earnings for use in the operation and expansion of its business. Accordingly, no deferred tax liability has been accrued for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Company as of December 31, 2017 and 2018. The undistributed earnings from the Company’s subsidiaries in the PRC as of December 31, 2017 and 2018 amounted US\$330 and US\$1,610 would be due if these earnings were remitted as dividends as of December 31, 2017 and 2018. An estimated foreign withholding taxes of US\$17 and US\$81 would be due if these earnings were remitted as dividends as of December 31, 2017 and 2018, respectively.

Composition of income tax expense

The current and deferred portions of income tax expense included in the consolidated statements of comprehensive loss are as follows:

	For the years ended December 31,		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Current income tax expense	1,283	1,262	1,561
Deferred tax benefits	(1,061)	(714)	(906)
Income tax expense	<u>222</u>	<u>548</u>	<u>655</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

22 Income tax (Continued)*Deferred tax assets and liabilities*

Deferred taxes were measured using the enacted tax rates for the periods in which they are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax asset balances as of December 31, 2017 and 2018 are as follows:

	As of December 31,	
	2017	2018
Deferred tax assets		
Tax losses carried forward	7,573	6,385
Share-based payments	850	884
Temporary difference on deferred income	—	269
Less: Valuation allowance (Note (a))	(7,573)	(6,385)
	<u>850</u>	<u>1,153</u>
Deferred tax liabilities		
Acquired intangible assets	(2,638)	(1,760)
Outside basis difference (Note (b))	(486)	(1,004)
Others	(35)	(30)
	<u>(3,159)</u>	<u>(2,794)</u>

Note:

- (a) Valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group considered factors including future taxable income exclusive of reversing temporary differences and tax loss carryforwards. Valuation allowance was provided for net operating loss carryforwards because it was more likely than not that such deferred tax assets will not be realized based on the Group's estimate of its future taxable income. If events occur in the future that allow the Group to realize more of its deferred income tax than the presently recorded amounts, an adjustment to the valuation allowances will result in a decrease in tax expense when those events occur.

Movement of valuation allowance is as follows:

	For the years ended December 31,	
	2017	2018
Beginning balance	6,838	7,573
Additions	735	199
Reversals (Note i)	—	(1,387)
Ending balance	<u>7,573</u>	<u>6,385</u>

Note:

- (i) The reversals comprise of tax loss carryforwards which were expired in 2018 and tax loss carryforwards which were utilized to offset taxable income during the year ended December 31, 2018.
- (b) The deferred tax liabilities are recorded for the undistributed earnings in the Group's VIE and its subsidiaries.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

22 Income tax (Continued)*Tax loss carryforwards*

As of December 31, 2018, the Group had tax loss carryforwards of approximately US\$26,911, which can be carried forward to offset future taxable income. The net operating tax loss carryforwards will begin to expire as follows:

	<u>As of December 31, 2018</u>
2020	6,270
2021	7,856
2022	8,356
2023	398
Tax loss with no expiry	<u>4,031</u>
	<u>26,911</u>

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to claw back underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities' tax years from 2012 to 2018 remain subject to examination by the tax authorities. There were no ongoing examinations by tax authorities as of December 31, 2017 and 2018.

Reconciliation between the expense of income taxes computed by applying the statutory tax rates to loss before income taxes and the actual provision for income taxes is as follows:

	<u>For the years ended December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Tax benefit calculated at statutory tax rates (Note i)	(4,509)	(3,972)	(7,989)
Effect of differences between statutory tax rates and foreign effective tax rates	213	(1,172)	2,804
Non-taxable other income	(738)	(275)	(274)
Non-deductible expenses (Note ii)	4,208	4,861	6,784
Valuation allowance	1,034	735	(1,188)
Outside basis difference (Note iii)	—	486	518
Others	14	(115)	—
Income tax expense	<u>222</u>	<u>548</u>	<u>655</u>

Note:

- (i) The Group's major operation during the years ended December 31, 2016 and 2017 was conducted in Hong Kong. Accordingly, the Group prepared its tax rate reconciliation starting with the Hong Kong statutory tax rate for the years ended December 31, 2016 and 2017. The Group's major operation during the year ended December 31, 2018 was conducted in the PRC. Accordingly, the Group prepared its tax rate reconciliation starting with the PRC statutory tax rate during the year ended December 31, 2018.
- (ii) Non-deductible expenses were mainly related to share-based compensation expenses, fair value losses on derivative liabilities and fair value losses on convertible notes.
- (iii) Outside basis difference is related to undistributed earnings in the Group's VIE and its subsidiaries.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

23 Basic and diluted net loss per share

Basic and diluted net loss per share for the years ended December 31, 2016, 2017 and 2018 are calculated as follows:

	For the years ended December 31,		
	2016	2017	2018
Numerator:			
Net loss attributable to ordinary shareholders of the Company	(27,330)	(24,619)	(32,409)
Accretion of convertible redeemable preferred shares redemption value	(773)	(1,662)	—
Accretion to redeemable ordinary shares redemption value	(1,556)	(3,650)	—
Numerator of basic net loss per share	<u>(29,659)</u>	<u>(29,931)</u>	<u>(32,409)</u>
Denominator:			
Denominator for basic and diluted net loss per share - weighted average shares outstanding	13,151,063	13,931,503	26,452,409
Basic net loss per share	<u>(2.26)</u>	<u>(2.15)</u>	<u>(1.23)</u>
Diluted net loss per share	(2.26)	(2.15)	(1.23)

The Company's preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the years ended December 31, 2016, 2017 and 2018.

The preferred shares, redeemable ordinary shares, share options, RSUs and convertible notes were excluded from the computation of diluted net loss per ordinary share for the periods presented because including them would have had an anti-dilutive effect.

The following ordinary share equivalents were excluded from the computation of diluted net loss per ordinary share for the periods presented because including them would have had an anti-dilutive effect:

	As of December 31,		
	2016	2017	2018
Preferred shares — weighted average (thousands)	8,469	—	—
Share options and RSUs — weighted average (thousands)	1,091	1,071	505
Redeemable ordinary shares — weighted average (thousands)	742	—	—
Convertible notes — weighted average (thousands)	—	—	929

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

24 Related party transactions

The table below sets forth the major related parties and their relationships with the Company as of December 31, 2018:

Related party	Relationship with the Company
Aladdin Fintech Company Limited	An entity controlled by a director of the Company

(a) The Group entered into the following transactions with the major related parties:

Transactions	For the years ended December 31,		
	2016	2017	2018
Net revenues:			
Platform development fee income, license fee income and maintenance services income from Aladdin Fintech Company Limited	—	—	500

Revenues from the related party represented 0.3% of total net revenues of the Group for the year ended December 31, 2018

(b) The Group had the following balance with the related party:

	As of December 31,	
	2017	2018
Accounts receivable from Aladdin Fintech Company Limited	—	350

As of December 31, 2018, the balance with the related party related to outstanding receivables of platform development fee income, license fee income and maintenance services income, which represented 0.5% of the Group's total accounts receivable.

iCLICK INTERACTIVE ASIA GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(US\$'000, except share data and per share data, or otherwise noted)

25 Segment

The Company considers operating segments to be components of the Company in which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company has one business activity, and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single operating and reportable segment. Revenue generated for the respective countries are summarized as follows:

	For the years ended December 31,		
	2016	2017	2018
PRC	71,214	105,380	141,926
Hong Kong	22,766	18,287	17,004
Others	1,377	1,591	1,087
	<u>95,357</u>	<u>125,258</u>	<u>160,017</u>

The Group's long-lived assets are located in the following countries:

	As of December 31,	
	2017	2018
PRC	858	231
Hong Kong	300	92
Others	7	6
	<u>1,165</u>	<u>329</u>

26 Commitments and contingencies**(a) Operating lease commitments**

The Group leases facilities under non-cancellable operating leases expiring on different dates. The terms of substantially all of these leases are two years or less. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were US\$3,024, US\$1,862 and US\$2,737 for the years ended December 31, 2016, 2017 and 2018, respectively.

As of December 31, 2018, future minimum payments under non-cancellable operating leases for office rental consist of the following:

2019	1,763
2020	1,099
2021	558
	<u>3,420</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

26 Commitments and contingencies (Continued)

(b) Purchase commitments

As of December 31, 2017 and 2018, no purchase commitments were related to the purchase of space for its online marketing services.

(c) Litigation

In the ordinary course of the business, the Group is subject to periodic legal or administrative proceedings. As of December 31, 2017 and 2018, the Group is not a party to any legal or administrative proceedings which will have a material adverse effect on the Group's business, financial position, results of operations and cash flows.

27 Subsequent event

On January 1, 2019, the Group has completed an investment in 34.38% equity interest of Changyi (Shanghai) Information Technology Co., Ltd. ("Changyi"), a company incorporated in the PRC and an independent software vendor based in Shanghai, the PRC, at a total cash consideration of RMB42.6 million (equivalent to approximately US\$6,187). Changyi became a subsidiary of the Company effective from January 1, 2019 as the Company has established control over Changyi through certain shareholder agreements. Other shareholders of Changyi expects the operating effectiveness brought about by the control over Changyi by the Company to be of their best interests. Based on the preliminary assessment performed, the Group expects to record this acquisition as a business combination accounted for using the acquisition method of accounting. The Group is in the process of finalizing the assessment on the accounting treatment of this acquisition and the resulting impact to the consolidated financial statements of the Group.

28 Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiary, VIE and its subsidiaries incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Group's subsidiary and the VIE in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries, VIE and its subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances. There are no significant differences between US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiary in the PRC and the VIE. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries, VIE and its subsidiaries to satisfy any obligations of the Company.

As of December 31, 2017 and 2018, the total restricted net assets of the Company's subsidiaries and OptAim VIE incorporated in the PRC and subjected to restriction amounted to approximately US\$9,631 and US\$65,659, respectively. Except for the above there is no other restriction on the use of proceeds generated by the Company's subsidiaries, VIE and VIE's subsidiaries to satisfy any obligations of the Company.

iCLICK INTERACTIVE ASIA GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US\$'000, except share data and per share data, or otherwise noted)

ADDITIONAL INFORMATION: CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

Rules 12-04(a) and 4-08(e)(3) of Regulation S-X require condensed financial information as to the financial position, cash flows and results of operations of a parent company as of and for the same periods for which the audited consolidated financial statements have been presented when the restricted net assets of the consolidated subsidiaries together exceed 25% of consolidated net assets as of the end of the most recently completed fiscal year.

The following condensed financial statements of the Company have been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the Company used the equity method to account for its investment in its subsidiaries and VIEs. Such investment is presented on the separate condensed balance sheets of the Company as "Investment in subsidiaries and VIEs" and "Accumulated losses in excess of investment in subsidiaries and VIEs." The Company, its subsidiaries and VIEs were included in the consolidated financial statements whereby the inter-company balances and transactions were eliminated upon consolidation. The Company's share of income from its subsidiaries and VIEs is reported as share of income from subsidiaries and VIEs in the condensed financial statements.

The Company is a Cayman Islands company and, therefore, is not subjected to income taxes for all years presented. The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

As of December 31, 2017 and 2018, there were no material commitments or contingencies, significant provisions for long-term obligations or guarantees of the Company, except for those which have been separately disclosed in the consolidated financial statements, if any.

Inter-company charges, share-based compensation and other miscellaneous expenses for the years ended December 31, 2016, 2017 and 2018, which were previously recognized at the parent company level, had been pushed down to the WFOE/VIE level given the majority of services were provided to the WFOE/VIE entities.

The condensed financial statements of the parent company should be read in conjunction with the Company's consolidated financial statements and the accompanying notes thereto. For purposes of these condensed financial statements, the Company's wholly owned and majority owned subsidiaries are recorded based upon its proportionate share of the subsidiaries' net assets (similar to presenting them on the equity method).

iCLICK INTERACTIVE ASIA GROUP LIMITED

CONDENSED BALANCE SHEETS
AS OF DECEMBER 31, 2017 AND 2018

(US\$'000, except share data and per share data, or otherwise noted)

	As of December 31,	
	2017	2018
Assets		
Current assets		
Cash and cash equivalents	6,440	2,132
Amounts due from subsidiaries and VIEs	74,193	98,829
Other assets	1,194	929
Total current assets	<u>81,827</u>	<u>101,890</u>
Non-current assets		
Deferred tax assets	—	269
Investments in subsidiaries and VIEs	41,407	40,759
Long-term investment	—	503
Total non-current assets	<u>41,407</u>	<u>41,531</u>
Total assets	<u>123,234</u>	<u>143,421</u>
Liabilities and shareholders' equity		
Current liabilities		
Accrued liabilities and other current liabilities	3,250	2,586
Convertible notes at fair value	—	34,837
Total current liabilities	<u>3,250</u>	<u>37,423</u>
Non-current liability		
Other liabilities	—	673
Total non-current liability	<u>—</u>	<u>673</u>
Total liabilities	<u>3,250</u>	<u>38,096</u>
Commitments and contingencies		
	—	—
Shareholders' equity		
Ordinary shares	26	28
Treasury shares	(2,093)	(576)
Other shareholders' equity	122,051	105,873
Total shareholders' equity	<u>119,984</u>	<u>105,325</u>
Total liabilities and shareholders' equity	<u>123,234</u>	<u>143,421</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED**CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	For the years ended December 31,		
	2016	2017	2018
Operating expenses			
General and administrative expenses	(21,655)	(6,928)	(27,643)
Total operating expenses	<u>(21,655)</u>	<u>(6,928)</u>	<u>(27,643)</u>
Operating loss			
Other gains/(losses), net	145	(116)	403
Fair value gains/(losses) on derivative liabilities	3,995	(10,190)	—
Fair value losses on convertible notes	—	—	(4,837)
Loss from subsidiaries and VIEs	<u>(9,815)</u>	<u>(7,385)</u>	<u>(264)</u>
Loss before income tax expense	<u>(27,330)</u>	<u>(24,619)</u>	<u>(32,341)</u>
Income tax expense	—	—	(68)
Net loss attributable to iClick Interactive Asia Group Limited	<u>(27,330)</u>	<u>(24,619)</u>	<u>(32,409)</u>
Accretion to convertible redeemable preferred shares redemption value	(773)	(1,662)	—
Accretion to redeemable ordinary shares redemption value	(1,556)	(3,650)	—
Net loss attributable to iClick Interactive Asia Group Limited's ordinary shareholders	<u>(29,659)</u>	<u>(29,931)</u>	<u>(32,409)</u>
Net loss attributable to iClick Interactive Asia Group Limited	(27,330)	(24,619)	(32,409)
Other comprehensive loss:			
Foreign currency translation adjustment, net of tax	(139)	(79)	(2,547)
Comprehensive loss attributable to iClick Interactive Asia Group Limited	<u>(27,469)</u>	<u>(24,698)</u>	<u>(34,956)</u>

iCLICK INTERACTIVE ASIA GROUP LIMITED

**CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**

(US\$'000, except share data and per share data, or otherwise noted)

	For the years ended December 31,		
	2016	2017	2018
Cash flows from operating activities:			
Net cash used in operating activities	(8,083)	(34,030)	(32,234)
Cash flows from investing activities:			
Increase in long-term investment	—	—	(503)
Net cash used in investing activities	—	—	(503)
Cash flows from financing activities:			
Proceeds from issuance of Series E convertible redeemable preferred shares	20,000	—	—
Proceeds from exercise of share options	171	60	656
Proceeds from issuance of convertible notes	—	—	27,810
Repurchase of ordinary shares	—	—	(37)
Net proceeds from issuance of ordinary shares upon IPO	—	28,405	—
Net cash provided by financing activities	20,171	28,465	28,429
Net increase/(decrease) in cash and cash equivalents	<u>12,088</u>	<u>(5,565)</u>	<u>(4,308)</u>

THE COMPANIES LAW (REVISED)

EXEMPTED COMPANY LIMITED BY SHARES

NINTH AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

iClick Interactive Asia Group Limited

(Adopted with immediate effect by way of a special resolution passed on December 19, 2018)

1. The name of the Company is **iClick Interactive Asia Group Limited**.
 2. The Registered Office of the Company shall be at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
 3. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted.
 4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Law.
 5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
 6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
 7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
 8. The share capital of the Company is US\$100,000 divided into 100,000,000 shares of a nominal or par value of US\$0.001, of which 80,000,000 shares shall be designated as Class A ordinary shares, 20,000,000 shares shall be designated as Class B ordinary shares and provided always that the Directors may, in their absolute discretion and without the approval of the Members, create and designate out of the unissued shares of the Company (including unissued Class A Ordinary Shares) one or more classes or series of preferred shares, comprising such number of preferred shares, and having such designations, powers, preferences, privileges and other rights, including dividend rights, voting rights, conversion rights, terms of redemption and liquidation preferences, as the Directors may determine.
 9. The Company may exercise the power contained in the Companies Law to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction.
-

THE COMPANIES LAW (REVISED)

EXEMPTED COMPANY LIMITED BY SHARES

THE NINTH AMENDED AND RESTATED

ARTICLES OF ASSOCIATION

OF

iClick Interactive Asia Group Limited

(Adopted with immediate effect by way of a special resolution passed on December 19, 2018)

INDEX

SUBJECT	Article No.
Table A	1
Interpretation	2
Share Capital	3
Alteration Of Capital	4-7
Share Rights	8-9
Variation Of Rights	10-11
Shares	12-15
Share Certificates	16-21
Lien	22-24
Calls On Shares	25-33
Forfeiture Of Shares	34-42
Register Of Members	43-44
Record Dates	45
Transfer Of Shares	46-51
Transmission Of Shares	52-54
Untraceable Members	55
General Meetings	56-58
Notice Of General Meetings	59-60
Proceedings At General Meetings	61-65
Voting	66-77
Proxies	78-83
Corporations Acting By Representatives	84
Board Of Directors	85
Retirement of Directors	88
Disqualification Of Directors	88
Alternate Directors	89-92
Directors' Fees And Expenses	93-96
Directors' Interests	97-100
General Powers Of The Directors	101-106
Borrowing Powers	107-110
Proceedings Of The Directors	111-120
Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee	121-122
Officers	124-127
Register of Directors and Officers	128
Minutes	129
Seal	130
Authentication Of Documents	131
Destruction Of Documents	132
Dividends And Other Payments	133-142
Reserves	143
Capitalisation	144-145
Subscription Rights Reserve	146
Accounting Records	147-151
Audit	152-157
Notices	158-160
Signatures	161
Winding Up	162-163
Indemnity	164
Amendment to Memorandum and Articles of Association and Name of Company	165
Information	166
Merger and Consolidation	167
Change of Control Event	168

INTERPRETATION
TABLE A

1. The regulations in Table A in the Schedule to the Companies Law do not apply to the Company.

INTERPRETATION

2. (1) In these Articles, unless the context otherwise requires, the words standing in the first column of the following table shall bear the meaning set opposite them respectively in the second column.

<u>WORD</u>	<u>MEANING</u>
“Articles”	these Articles in their present form or as supplemented or amended or substituted from time to time.
“affiliate”	for the purposes of Article 58(2), shall have the meaning given to it in Rule 405 of the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
“as converted basis”	the number of votes to which the holder of the Class B Ordinary Shares would be entitled if such holder converted the Class B Ordinary Shares at the then effective Conversion Rate on the record date in respect of the meeting at which any poll is taken or, if no record date is established, the date any poll is taken.
“Audit Committee”	the audit committee of the Company formed by the Board pursuant to Article 124) hereof, or any successor audit committee.
“Auditor”	the independent auditor of the Company which shall be an internationally recognized firm of independent accountants.
“Automatic Conversion Date”	the Business Day on which the first Automatic Conversion Event occurs.
Automatic Conversion Event”	the first to occur of the Beneficial Ownership of Class B Ordinary Shares is transferred to persons who are not an affiliate of the holders of the Class B Ordinary Shares.
“Beneficial Ownership”	shall have the meaning given to such term as defined in Rule 13d-3 under the Securities Exchange Act and Form 20-F issued under the Securities Exchange Act, and be calculated on an as converted basis. The terms “Beneficially Own”, “Beneficially Owned” and “Beneficial Owner” shall each have a correlative meaning.
“Board” or “Directors”	the board of directors of the Company or the directors present at a meeting of directors of the Company at which a quorum is present.
“Business Day”	shall mean a day on which the Designated Stock Exchange generally is open for the business of dealing in securities in the United States of America.
“Capital”	the share capital from time to time of the Company.
“Cause”	a conviction for a criminal offence involving dishonesty or engaging in conduct which brings the Director or the Company into disrepute or which results in material financial detriment to the Company.
“Class A Ordinary Shares”	class A ordinary shares of par value US\$0.001 each of the Company having the rights set out in these Articles.
“Class B Ordinary Shares”	class B ordinary shares of par value US\$0.001 each of the Company having the rights set out in these Articles.
“clear days”	in relation to the period of a notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect.
“clearing house”	a clearing house recognised by the laws of the jurisdiction in which the shares of the Company (or depositary receipts therefor) are listed or quoted on a stock exchange or interdealer quotation system in such jurisdiction.
“Company”	iClick Interactive Asia Group Limited.
“competent regulatory authority”	a competent regulatory authority in the territory where the shares of the Company (or depositary receipts therefor) are listed or quoted on a stock exchange or interdealer quotation system in such territory.
“Conversion Date”	in respect of a Conversion Notice means the Business Day on which that Conversion Notice is delivered.
“Conversion Notice”	a written notice delivered to the Company at its Office (and as otherwise stated therein) stating that a holder of Class B Ordinary Shares elects to convert the number of Class B Ordinary Shares specified therein pursuant to <u>Article 9</u> .
“Conversion Number”	in relation to any Class B Ordinary Shares, such number of Class A Ordinary Shares as may, upon exercise of the Conversion Right, be issued at the Conversion Rate in force on the relevant Conversion Date.
“Conversion Rate”	at any time, on a 1 : 1 basis, subject to adjustment in accordance with Article 9(b).

“Conversion Right”	in respect of a Class B Ordinary Share means the right of its holder, subject to the provisions of the Articles and to any applicable fiscal or other laws or regulations including the Law, to convert all or any of its Class B Ordinary Shares, into the Conversion Number of Class A Ordinary Shares.
“control”	for the purposes of Article 58(2), shall have the meaning given to it in Rule 405 of the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, and the term “controlled by” shall have a correlative meaning.
“debenture” and “debenture holder”	include debenture stock and debenture stockholder respectively.
“Designated Stock Exchange”	the Nasdaq Global Market.
“Designated Stock Exchange Rules”	the Nasdaq Global Market listing rules.
“dollars” and “\$”	dollars, the legal currency of the United States of America.
“FIL”	the consultation draft Foreign Investment Law of the People’s Republic of China published by the Ministry of Commerce of the PRC on January 19, 2015.
“head office”	such office of the Company as the Directors may from time to time determine to be the principal office of the Company.
“Independent Director”	as defined in the Designated Stock Exchange Rules and in Rule 10A-3 under the Exchange Act, including for purposes of serving on an audit committee, and in respect of whom the Board has determined constitutes an Independent Director for purposes of compliance with applicable law or the Company’s listing requirements.
“Law”	the Companies Law (Revised) of the Cayman Islands.
“Member”	a duly registered holder from time to time of the shares in the capital of the Company.
“month”	a calendar month.
“Notice”	written notice unless otherwise specifically stated and as further defined in these Articles.
“Office”	the registered office of the Company for the time being.
“ordinary resolution”	means a resolution: (a) passed by a simple majority of the votes cast by such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company and in computing a majority where a poll is taken, regard shall be had to the number of votes to which each Shareholder is entitled; or (b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;
“Ordinary Shares”	means the Class A Ordinary Shares and the Class B Ordinary Shares
“paid up”	paid up or credited as paid up.
“PRC”	the People’s Republic of China.
“PRC Business”	such businesses as the Company or any of its subsidiaries or otherwise controlled entities have carried out or contemplate to carry out in the PRC.
“Register”	the principal register and where applicable, any branch register of Members of the Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time.

“Registration Office”	in respect of any class of share capital such place as the Board may from time to time determine to keep a branch register of Members in respect of that class of share capital and where (except in cases where the Board otherwise directs) the transfers or other documents of title for such class of share capital are to be lodged for registration and are to be registered.
“SEC”	the United States Securities and Exchange Commission.
“Securities Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.
“Seal”	common seal or any one or more duplicate seals of the Company (including a securities seal) for use in the Cayman Islands or in any place outside the Cayman Islands.
“Secretary”	any person, firm or corporation appointed by the Board to perform any of the duties of secretary of the Company and includes any assistant, deputy, temporary or acting secretary.
“special resolution”	means a special resolution of the Company passed in accordance with the Law, being a resolution: <ul style="list-style-type: none"> (a) passed by a majority of not less than two-thirds of the votes of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given, and in computing a majority where a poll is taken, regard shall be had to the number of votes to which each Shareholder is entitled; or (b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders 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;
“Statutes”	the Law and every other law of the Legislature of the Cayman Islands for the time being in force applying to or affecting the Company, its Memorandum of Association and/or these Articles.
“year”	a calendar year.

(2) In these Articles, unless there be something within the subject or context inconsistent with such construction:

- (a) words importing the singular include the plural and vice versa;
 - (b) words importing a gender include both gender and the neuter;
 - (c) words importing persons include companies, associations and bodies of persons whether corporate or not;
 - (d) the words:
 - (i) “may” shall be construed as permissive;
 - (ii) “shall” or “will” shall be construed as imperative;
 - (e) expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member’s election comply with all applicable Statutes, rules and regulations;
 - (f) references to any law, ordinance, statute or statutory provision shall be interpreted as relating to any statutory modification or re-enactment thereof for the time being in force;
 - (g) save as aforesaid words and expressions defined in the Statutes shall bear the same meanings in these Articles if not inconsistent with the subject in the context;
 - (h) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not;
 - (i) Section 8 of the Electronic Transactions Law (2003) of the Cayman Islands, as amended from time to time, shall not apply to these Articles to the extent it imposes obligations or requirements in addition to those set out in these Articles.
-

SHARE CAPITAL

3. (1) The share capital of the Company at the date on which these Articles come into effect shall be divided into shares of a par value of US\$0.001 each.
- (2) Subject to the Law, the Company's Memorandum and Articles of Association and, where applicable, the rules of the Designated Stock Exchange and/or any competent regulatory authority, any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board in such manner, upon such terms and subject to such conditions as it thinks fit.
- (3) No share shall be issued to bearer.

ALTERATION OF CAPITAL

4. The Company may from time to time by ordinary resolution in accordance with the Law alter the conditions of its Memorandum of Association to:
 - (a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
 - (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
 - (c) without prejudice to the powers of the Board under Article 12, divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that, for the avoidance of doubt, where a class of shares has been authorized by the Company no resolution of the Company in general meeting is required for the issuance of shares of that class and the Directors may issue shares of that class and determine such rights, privileges, conditions or restrictions attaching thereto as aforesaid, and further provided that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";
 - (d) 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 Law), and may by such resolution 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, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
 - (e) 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 capital by the amount of the shares so cancelled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided.
5. The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Article and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.
6. The Company may from time to time by special resolution, subject to any confirmation or consent required by the Law, reduce its share capital or any capital redemption reserve in any manner permitted by law.
7. Except so far as otherwise provided by the conditions of issue, or by these Articles, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in these Articles with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

SHARE RIGHTS

8. (1) Subject to the provisions of the Law, the rules of the Designated Stock Exchange and the Memorandum and Articles of Association and to any special rights conferred on the holders of any shares or class of shares, and without prejudice to Article 12 hereof, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Board may determine, including without limitation on terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.
 - (2) Subject to the Law, any preferred shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder thereof, are to be redeemed or are liable to be redeemed on such terms and in such manner as the Directors may in their absolute discretion determine.
-

9. Subject to Article 8(1), the Memorandum of Association and any resolution of the Members to the contrary and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares, the share capital of the Company shall be divided into Class A Ordinary Shares, Class B Ordinary Share provided always that the Directors may, in their absolute discretion and without the approval of the Members, create and designate out of the unissued shares of the Company (including unissued Class A Ordinary Shares) one or more classes or series of preferred shares, comprising such number of preferred shares, and having such designations, powers, preferences, privileges and other rights, including dividend rights, voting rights, conversion rights, terms of redemption and liquidation preferences, as the Directors may determine. The Class A Ordinary Shares and Class B Ordinary Shares shall carry equal rights and rank *pari passu* with one another other than as set out below.

(a) *As regards conversion from Class B Ordinary Shares to Class A Ordinary Shares*

- (i) Subject to the provisions hereof (including, without limitation, Article 9(a)(vii) and to compliance with all fiscal and other laws and regulations applicable thereto, including the Law), (A) the Class B Ordinary Shares shall be subject to automatic conversion on the Automatic Conversion Date; and (B) a holder of Class B Ordinary Shares shall have the Conversion Right in respect of each Class B Ordinary Share. Any and all taxes and stamp, issue and registration duties (if any) arising on any conversion (whether automatic or optional) shall be borne by the Company.
- (ii) Subject to the provisions hereof (including, without limitation, Article 9(a)(vii) and to compliance with all fiscal and other laws and regulations applicable thereto, including the Law), each Class B Ordinary Share shall be converted at any time after issue and without the payment of any additional sum, into such number of fully paid Class A Ordinary Shares calculated at the Conversion Rate then in effect EITHER :

(A) at the option of the holder. Such conversion shall take effect on the Conversion Date. A Conversion Notice shall not be effective if it is not accompanied by the share certificates in respect of the relevant Class B Ordinary Shares and such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right (or, if such certificates have been lost or destroyed, such evidence of title and such indemnity as the Directors may reasonably require); OR

(B) automatically. Such conversion shall take effect on the Automatic Conversion Date, and a Conversion Notice shall not be required to be delivered to the Company give effect to such automatic conversion,

- (iii) To the extent the Conversion Rate is one Class A Ordinary Share for one Class B Ordinary Share, on the Conversion Date or the Automatic Conversion Date, as the case may be, every Class B Ordinary Share shall automatically be re-designated and re-classified as a Class A Ordinary Share with such rights and restrictions attached to and shall rank *pari passu* in all respects with the Class A Ordinary Shares then in issue.
 - (iv) If the Conversion Rate is not on a one for one basis, the conversion shall take effect in such manner permitted by law (including, without limitation, by way of repurchase set out in Section 37 of the Companies Law (Revised)).
 - (v) Subject to the provisions hereof (including, without limitation, Article 9(a)(vii) and to compliance with all fiscal and other laws and regulations applicable thereto, including the Law), on the Conversion Date or the Automatic Conversion Date, as the case may be, the Company shall allot and issue the relevant Class A Ordinary Shares to the converting Shareholder, repurchase and cancel the relevant Class B Ordinary Shares, enter or procure the entry of the name of the relevant holder of Class B Ordinary Shares as the holder of the relevant number of Class A Ordinary Shares resulting from the conversion of the Class B Ordinary Shares in, and make any other necessary and consequential changes to, the Register of Members and shall procure that certificates in respect of the relevant Class A Ordinary Shares, together with a new certificate for any unconverted Class B Ordinary Shares comprised in the certificate(s) surrendered by the holder of the Class B Ordinary Shares, are issued to the holders of the Class A Ordinary Shares and Class B Ordinary Shares, as the case may be.
 - (vi) Until such time as the Class B Ordinary Shares have been converted into Class A Ordinary Shares the Company shall:
 - (1) at all times keep available for issue and free of all liens, charges, options, mortgages, pledges, claims, equities, encumbrances and other third-party rights of any nature, and not subject to any pre-emptive rights out of its authorized but unissued share capital, such number of authorized but unissued Class A Ordinary Shares as would enable all Class B Ordinary Shares to be converted into Class A Ordinary Shares and any other rights of conversion into, subscription for or exchange into Class A Ordinary Shares to be satisfied in full;
 - (2) maintain such amounts standing to the credit of its share premium and share capital accounts as to permit the conversion of the Class B Ordinary Shares into Class A Ordinary Shares by way of repurchase pursuant to Section 37 of the Companies Law; and
 - (3) not make any issue, grant or distribution or take any other action if the effect would be that on the conversion of the Class B Ordinary Shares to Class A Ordinary Shares it would be required to issue Class A Ordinary Shares at a price lower than the par value thereof.
-

(b) *Adjustments of Conversion Rate and/or Conversion Price*

- (i) Subject as herein provided, the Conversion Rate shall from time to time be adjusted in accordance with the following relevant provisions.
- (ii) If and whenever a Class A Ordinary Share by reason of any consolidation or sub-division becomes of a different nominal amount, the Conversion Rate in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Within two (2) Business Days of any such adjustment the Company will send to the holder of Class B Ordinary Shares a certificate signed by a Director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Rate in effect prior to such adjustment, the adjusted Conversion Rate on the effective date of the adjustment. Each such adjustment shall be effective from the close of business in Hong Kong on the day preceding the date on which the consolidation or sub-division becomes effective.

(c) *As regards Voting Rights*

- (i) At all times during the period from the coming into effect of these Articles, each Class A Ordinary Share shall be entitled to one (1) vote on all matters subject to vote at general meetings of the Company only when voting on a poll is taken, and each Class B ordinary share shall be entitled to twenty (20) votes on all matters subject to vote at general meetings of the Company only when voting on a poll is taken.
- (iii) Unless otherwise required under applicable laws in the Cayman Islands, holders of Class A Ordinary Shares and Class B Ordinary Shares shall at all times vote together as one class on all resolutions submitted to a vote by the Members.

(d) *As regards Transfers of Class B Ordinary Shares*

Upon any sale, transfer, assignment or disposition of Beneficial Ownership of any Class B Ordinary Share by a holder or a Beneficial Owner of such Class B Ordinary Share to any person who is not (i) the registered holder or Beneficial Owner of Class B Ordinary Shares or (ii) an affiliate of the registered holder or Beneficial Owner of such Class B Ordinary Share being transferred, assigned or disposed of, such Class B Ordinary Share shall automatically convert into one (1) Class A Ordinary Share upon the completion of such transfer, assignment or disposition, subject to adjustments of conversion rate and/or conversion price as set out in Article 9(b). For the avoidance of doubt, (i) a transfer shall be effective upon the registration of such transfer in the Register; (ii) an assignment or disposition shall be effective upon completion of the contractual arrangements applicable to the relevant Shareholder or beneficial owner; and (iii) the creation of any pledge, charge, encumbrance or other third party right of whatever description on any Class B Ordinary Shares to secure a Member's contractual or legal obligations shall not be deemed to be a transfer, assignment or disposition unless and until any such pledge, charge, encumbrance or other third party right is enforced and such enforcement results in the third party becoming the registered holder of the relevant Class B Ordinary Shares, in which case all such Class B Ordinary Shares shall be automatically converted into the same number of Class A Ordinary Shares, subject to adjustments of conversion rate and/or conversion price as set out in Article 9(b).

VARIATION OF RIGHTS

- 10. Subject to the Law and without prejudice to Article 8, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, all the provisions of these Articles relating to general meetings of the Company shall, *mutatis mutandis*, apply, but so that:
 - (a) the necessary quorum (whether at a separate general meeting or at its adjourned meeting) shall be two persons (or in the case of a Member being a corporation, its duly authorized representative);
 - (b) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and
 - (c) any holder of shares of the class present in person or by proxy or authorised representative may demand a poll.
 - 11. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.
-

SHARES

12. (1) Subject to the Law, these Articles (including without limitation 102(4)(b)) and, where applicable, the rules of the Designated Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount. In particular and without prejudice to the generality of the foregoing, the Board is hereby empowered to authorize by resolution or resolutions from time to time the issuance of one or more classes or series of preferred shares and to fix the designations, powers, preferences and relative, participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting powers, full or limited or no voting powers, and liquidation preferences, and to increase or decrease the size of any such class or series (but not below the number of shares of any class or series of preferred shares then outstanding) to the extent permitted by Law. Without limiting the generality of the foregoing, the resolution or resolutions providing for the establishment of any class or series of preferred shares may, to the extent permitted by law, provide that such class or series shall be superior to, rank equally with or be junior to the preferred shares of any other class or series.
- (2) Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of Members for any purpose whatsoever. Except as otherwise expressly provided in the resolution or resolutions providing for the establishment of any class or series of preferred shares, no vote of the holders of preferred shares of or ordinary shares shall be a prerequisite to the issuance of any shares of any class or series of the preferred shares authorized by and complying with the conditions of the Memorandum and Articles of Association.
- (3) The Board may issue options, warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.
13. The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Law. Subject to the Law, the commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one and partly in the other.
14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Articles or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
15. Subject to the Law and these Articles, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

SHARE CERTIFICATES

16. Every share certificate shall be issued under the Seal or a facsimile thereof and shall specify the number and class and distinguishing numbers (if any) of the shares to which it relates, and the amount paid up thereon and may otherwise be in such form as the Directors may from time to time determine. No certificate shall be issued representing shares of more than one class. The Board may by resolution determine, either generally or in any particular case or cases, that any signatures on any such certificates (or certificates in respect of other securities) need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon.
17. (1) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.
- (2) Where a share stands in the names of two or more persons, the person first named in the Register shall as regards service of notices and, subject to the provisions of these Articles, all or any other matters connected with the Company, except the transfer of the shares, be deemed the sole holder thereof.
18. Every person whose name is entered, upon an allotment of shares, as a Member in the Register shall be entitled, without payment, to receive one certificate for all such shares of any one class or several certificates each for one or more of such shares of such class upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Board from time to time determines.
19. Share certificates shall be issued within the relevant time limit as prescribed by the Law or as the Designated Stock Exchange may from time to time determine, whichever is the shorter, after allotment or, except in the case of a transfer which the Company is for the time being entitled to refuse to register and does not register, after lodgment of a transfer with the Company.
-

20. (1) Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued to the transferee in respect of the shares transferred to him at such fee as is provided in paragraph (2) of this Article. If any of the shares included in the certificate so given up shall be retained by the transferor a new certificate for the balance shall be issued to him at the aforesaid fee payable by the transferor to the Company in respect thereof.
- (2) The fee referred to in paragraph (1) above shall be an amount not exceeding the relevant maximum amount as the Designated Stock Exchange may from time to time determine provided that the Board may at any time determine a lower amount for such fee.
21. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed a new certificate representing the same shares may be issued to the relevant Member upon request and on payment of such fee as the Company may determine and, subject to compliance with such terms (if any) as to evidence and indemnity and to payment of the costs and reasonable out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of damage or defacement, on delivery of the old certificate to the Company provided always that where share warrants have been issued, no new share warrant shall be issued to replace one that has been lost unless the Board has determined that the original has been destroyed.

LIEN

22. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share. The Company shall also have a first and paramount lien on every share (not being a fully paid share) registered in the name of a Member (whether or not jointly with other Members) for all amounts of money presently payable by such Member or his estate to the Company whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such member, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person, whether a Member of the Company or not. The Company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The Board may at any time, generally or in any particular case, waive any lien that has arisen or declare any share exempt in whole or in part, from the provisions of this Article.
23. Subject to these Articles, the Company may sell in such manner as the Board determines any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged nor until the expiration of fourteen (14) clear days after a notice in writing, stating and demanding payment of the sum presently payable, or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of the intention to sell in default, has been served on the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.
24. The net proceeds of the sale shall be received by the Company and applied in or towards payment or discharge of the debt or liability in respect of which the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the person entitled to the share at the time of the sale. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

CALLS ON SHARES

25. Subject to these Articles and to the terms of allotment, the Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal or par value of the shares or by way of premium), and each Member shall (subject to being given at least fourteen (14) clear days' Notice specifying the time and place of payment) pay to the Company as required by such notice the amount called on his shares. A call may be extended, postponed or revoked in whole or in part as the Board determines but no member shall be entitled to any such extension, postponement or revocation except as a matter of grace and favour.
26. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be made payable either in one lump sum or by instalments.
27. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect thereof or other moneys due in respect thereof.
28. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part.
-

29. No Member shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another Member) at any general meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Member until all calls or instalments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.
30. On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued, in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
31. Any amount payable in respect of a share upon allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call duly made and payable on the date fixed for payment and if it is not paid the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call duly made and notified.
32. On the issue of shares the Board may differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.
33. The Board may, if it thinks fit, receive from any Member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide. The Board may at any time repay the amount so advanced upon giving to such Member not less than one month's Notice of its intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Such payment in advance shall not entitle the holder of such share or shares to participate in respect thereof in a dividend subsequently declared.

FORFEITURE OF SHARES

34. (1) If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' Notice:
- (a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and
 - (b) stating that if the Notice is not complied with the shares on which the call was made will be liable to be forfeited.
- (2) If the requirements of any 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 and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but not actually paid before the forfeiture.
35. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.
36. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Articles to forfeiture will include surrender.
37. Any share so forfeited shall be deemed the property of the Company and may be sold, re-allotted or otherwise disposed of to such person, upon such terms and in such manner as the Board determines, and at any time before a sale, re-allotment or disposition the forfeiture may be annulled by the Board on such terms as the Board determines.
38. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but nevertheless shall remain liable to pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares, with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board determines. The Board may enforce payment thereof if it thinks fit, and without any deduction or allowance for the value of the forfeited shares, at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.
-

39. A declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.
40. Notwithstanding any such forfeiture as aforesaid, the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.
41. The forfeiture of a share shall not prejudice the right of the Company to any call already made or instalment payable thereon.
42. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

REGISTER OF MEMBERS

43. (1) The Company shall keep in one or more books a Register of its Members and shall enter therein the following particulars, that is to say:
- (a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
 - (b) the date on which each person was entered in the Register; and
 - (c) the date on which any person ceased to be a Member.
- (2) The Company may keep an overseas or local or other branch register of Members resident in any place, and the Board may make and vary such regulations as it determines in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.
44. The Register and branch register of Members, as the case may be, shall be open to inspection for such times and on such days as the Board shall determine by Members without charge or by any other person, at the Office or Registration Office or such other place at which the Register is kept in accordance with the Law. The Register including any overseas or local or other branch register of Members may, after compliance with any notice requirement of the Designated Stock Exchange, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

RECORD DATES

45. For the purpose of determining the Members entitled to notice of or to vote at any general meeting, or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board may fix, in advance, a date as the record date for any such determination of Members, which date shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other such action.

If the Board does not fix a record date for any general meeting, the record date for determining the Members entitled to a notice of or to vote at such meeting shall be at the close of business on the day next preceding the day on which notice is given, or, if in accordance with these Articles notice is waived, at the close of business on the day next preceding the day on which the meeting is held. The record date for determining the Members for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

A determination of the Members of record entitled to notice of or to vote at a meeting of the Members shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

TRANSFER OF SHARES

46. Subject to these Articles including, without limitation, in the case of Class B Ordinary Shares, Article 9(d), any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a clearing house or a central depository house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.
47. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to the last preceding Article, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
48. (1) The Board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien.
- (2) The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.
- (3) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place at which the Register is kept in accordance with the Law.
49. Without limiting the generality of the last preceding Article, the Board may decline to recognise any instrument of transfer unless:-
- (a) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is lodged at the Office or such other place at which the Register is kept in accordance with the Law or the Registration Office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.
50. If the Board refuses to register a transfer of any share, it shall, within three months after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.
51. The registration of transfers of shares or of any class of shares may, after compliance with any notice requirement of the Designated Stock Exchange, be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.

TRANSMISSION OF SHARES

52. If a Member dies, the survivor or survivors where the deceased was a joint holder, and his legal personal representatives where he was a sole or only surviving holder, will be the only persons recognised by the Company as having any title to his interest in the shares; but nothing in this Article will release the estate of a deceased Member (whether sole or joint) from any liability in respect of any share which had been solely or jointly held by him.
-

53. Any person becoming entitled to a share in consequence of the death or bankruptcy or winding-up of a Member may, upon such evidence as to his title being produced as may be required by the Board, elect either to become the holder of the share or to have some person nominated by him registered as the transferee thereof. If he elects to become the holder he shall notify the Company in writing either at the Registration Office or Office, as the case may be, to that effect. If he elects to have another person registered he shall execute a transfer of the share in favour of that person. The provisions of these Articles relating to the transfer and registration of transfers of shares shall apply to such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by such Member.
54. A person becoming entitled to a share by reason of the death or bankruptcy or winding-up of a Member shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share. However, the Board may, if it thinks fit, withhold the payment of any dividend payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of Article 75(2) being met, such a person may vote at meetings.

UNTRACEABLE MEMBERS

55. (1) Without prejudice to the rights of the Company under paragraph (2) of this Article, the Company may cease sending 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 the 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.
- (2) The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:
- (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of the Company have remained uncashed;
- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and
- (c) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers to be made in accordance with the requirements of, the Designated Stock Exchange of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the "relevant period" means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) of this Article and ending at the expiry of the period referred to in that paragraph.

- (3) To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will 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. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

GENERAL MEETINGS

56. An annual general meeting of the Company shall be held in each year other than the year in which these Articles were adopted at such time and place as may be determined by the Board.
57. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. General meetings may be held at such times and in any location in the world as may be determined by the Board.
58. (1) A majority of the Board or the Chairman of the Board may call extraordinary general meetings, which extraordinary general meetings shall be held at such times and locations (as permitted hereby) as such person or persons shall determine.
- (2) Any such meeting shall be held within two (2) months after the deposit of such requisition. If within ten (10) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.
-

NOTICE OF GENERAL MEETINGS

59. (1) An annual general meeting and any extraordinary general meeting may be called by not less than ten (10) clear days' Notice but a general meeting may be called by shorter notice, subject to the Law, if it is so agreed:
- (a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and
 - (b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 50% in nominal value of the issued shares giving that right.
- (2) The notice shall specify the time and place of the meeting and, in case of special business, the general nature of the business. The notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.
60. The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

61. (1) All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of sanctioning a dividend, the consideration of the accounts, balance sheets, any report of the Directors or of the Company's auditors, the appointment and removal of Directors and the fixing of the remuneration of the Company's auditors.
- (2) No business shall be transacted at any general meeting unless a quorum is present at the commencement of the business. At any general meeting of the Company, two (2) Members entitled to vote and present in person or by proxy or (in the case of a Member being a corporation) by its duly authorised representative throughout the meeting shall form a quorum for all purposes.
62. If within thirty (30) minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.
63. The Chairman of the Board shall preside as chairman at every general meeting. If at any meeting the chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the chairman chosen shall retire from the chair, the Members present in person or by proxy and entitled to vote shall elect one of their number to be chairman.
64. The chairman may adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business which might lawfully have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' notice of the adjourned meeting shall be given specifying the time and place of the adjourned meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting and the general nature of the business to be transacted. Save as aforesaid, it shall be unnecessary to give notice of an adjournment.
65. If an amendment is proposed to any resolution under consideration but is in good faith ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.
-

VOTING

66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles including, without limitation, Article 9(c) and Article 102(4), at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.
67. A resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every Member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of this Article, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its Members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Members a reasonable opportunity to express their views.
68. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded:
- (a) by at least three Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
 - (b) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
 - (c) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.
- A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the Member.
69. Where a resolution is voted on by a show of hands, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution. The result of the poll shall be deemed to be the resolution of the meeting. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.
70. On a poll votes may be given either personally or by proxy.
71. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.
72. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles including, without limitation, Article 9(c) and Article 102(4), all questions submitted to a general meeting shall be decided by a simple majority of votes except where a greater majority is required by these Articles or by the Law. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of such general meeting shall not be entitled to a second or casting vote in addition to any other vote he may have.
73. Where there are joint holders of any share any one of such joint holder may vote, either in person 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 the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Article be deemed joint holders thereof.
74. (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.
-

(2) Any person entitled under Article 53 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

75. No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

76. If:

- (a) any objection shall be raised to the qualification of any voter; or
- (b) any votes have been counted which ought not to have been counted or which might have been rejected; or
- (c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

77. A resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings of the Company (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

PROXIES

78. Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.

79. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

80. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate) not less than forty-eight (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 twenty-four (24) 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 twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

81. Instruments of proxy shall be in any common form or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and 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.

82. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other document sent therewith) two hours at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.
83. Anything which under these Articles a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Articles relating to proxies and instruments appointing proxies shall apply mutatis mutandis in relation to any such attorney and the instrument under which such attorney is appointed.

CORPORATIONS ACTING BY REPRESENTATIVES

84. (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.
- (2) If a clearing house (or its nominee(s)) or a central depository entity, being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house or central depository entity (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house or a central depository entity (or its nominee(s)) including the right to vote individually on a show of hands.
- (3) Any reference in these Articles to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Article.

BOARD OF DIRECTORS

85. (1) Unless otherwise determined by special resolution of the Members in general meeting, the number of Directors shall be no more than nine (9). The Board of Directors shall have the power from time to time to appoint any person as director to fill in a casual vacancy or as an addition to the existing board (subject to the maximum size of the board) and any directors so appointed by the board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.
- (2) The Board of Directors shall have a Chairman of the Board of Directors (the "Chairman of the Board") elected and appointed by ordinary resolutions of the Members. The removal of the Chairman will also be determined by ordinary resolutions of the Members.
- (3) No Director shall be required to hold any shares of the Company by way of qualification and a Director who is not a Member shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.
- (4) Any Director may be removed by way of (i) an ordinary resolution of the Members at any time before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement); or (ii) resolution of the Board provided that such removal is for Cause.
- (5) A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (4) above may be filled by the election or appointment by resolution of the Board.

DISQUALIFICATION OF DIRECTORS

88. The office of a Director shall be vacated if the Director:
- (1) resigns his office by notice in writing delivered to the Company at the Office or tendered at a meeting of the Board;
 - (2) becomes of unsound mind or dies;
 - (3) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months and the Board resolves that his office be vacated; or
 - (4) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
 - (5) is prohibited by law from being a Director; or
 - (6) ceases to be a Director by virtue of any provision of the Statutes or is removed from office pursuant to these Articles.
-

ALTERNATE DIRECTORS

89. Any Director may at any time by Notice delivered to the Office or head office or at a meeting of the Directors appoint any person (including another Director) to be his alternate Director. Any person so appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present. An alternate Director may be removed at any time by the body which appointed him and, subject thereto, the office of alternate Director shall continue until the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointor ceases for any reason to be a Director. Any appointment or removal of an alternate Director shall be effected by Notice signed by the appointor and delivered to the Office or head office or tendered at a meeting of the Board. An alternate Director may also be a Director in his own right and may act as alternate to more than one Director. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he were a Director save that as an alternate for more than one Director his voting rights shall be cumulative.
90. An alternate Director shall only be a Director for the purposes of the Law and shall only be subject to the provisions of the Law insofar as they relate to the duties and obligations of a Director when performing the functions of the Director for whom he is appointed in the alternative and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for the Director appointing him. An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified by the Company to the same extent mutatis mutandis as if he were a Director but he shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except only such part, if any, of the remuneration otherwise payable to his appointor as such appointor may by Notice to the Company from time to time direct.
91. Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). If his appointor is for the time being not available or unable to act, the signature of an alternate Director to any resolution in writing of the Board or a committee of the Board of which his appointor is a member shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor.
92. An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director, however, such alternate Director or any other person may be re-appointed by the Directors to serve as an alternate Director PROVIDED always that, if at any meeting any Director retires but is re-elected at the same meeting, any appointment of such alternate Director pursuant to these Articles which was in force immediately before his retirement shall remain in force as though he had not retired.

DIRECTORS' FEES AND EXPENSES

93. Subject to the rules of the Designated Exchange, the Directors shall receive such remuneration as the Board may from time to time determine.
94. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.
95. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.
96. Subject to the rules of the Designated Exchange, the Board may, without the approval of the Company in general meeting, make payments to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).
-

DIRECTORS' INTERESTS

97. A Director may:
- (a) hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Article;
 - (b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director;
 - (c) continue to be or become a director, or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, or other officer or member of or from his interests in any such other company. Subject as otherwise provided by these Articles the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as Directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, or other officers of such company) or voting or providing for the payment of remuneration to the director, or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Notwithstanding the foregoing, no Independent Director shall without the consent of the Audit Committee take any of the foregoing actions or any other action that would reasonably be likely to affect such Director's status as an "Independent Director" of the Company.

98. Subject to the Law and to these Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with Article 102 herein. Any such transaction that would reasonably be likely to affect a Director's status as an "Independent Director", or that would constitute a "related party transaction" as defined by Item 7.N of Form 20F promulgated by the SEC, shall require the approval of the Audit Committee.

99. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general Notice to the Board by a Director to the effect that:
- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with that company or firm; or
 - (b) he is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with a specified person who is connected with him; shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement, provided that no such Notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

100. Following a declaration being made pursuant to the last preceding two Articles, subject to any separate requirement for Audit Committee approval under applicable law or the listing rules of the Company's Designated Stock Exchange, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

GENERAL POWERS OF THE DIRECTORS

- 101 (1) Subject to these Articles, the business of the Company shall be managed and conducted by the Board, which may pay all expenses incurred in forming and registering the Company and may exercise all powers of the Company (whether relating to the management of the business of the Company or otherwise) which are not by the Statutes or by these Articles required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Statutes and of these Articles and to such regulations being not inconsistent with such provisions, as may be prescribed by the Company in general meeting, but no regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if such regulations had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Board by any other Article (other than as set out in Article 9(c)).
-

- (2) Any person contracting or dealing with the Company in the ordinary course of business shall be entitled to rely on any written or oral contract or agreement or deed, document or instrument entered into or executed as the case may be by any two of the Directors acting jointly on behalf of the Company and the same shall be deemed to be validly entered into or executed by the Company as the case may be and shall, subject to any rule of law, be binding on the Company.
- (3) Without prejudice to the general powers conferred by these Articles it is hereby expressly declared that the Board shall have the following powers:
 - (a) To give to any person the right or option of requiring at a future date that an allotment shall be made to him of any share at par or at such premium as may be agreed.
 - (b) To give to any Directors, officers or employees of the Company an interest in any particular business or transaction or participation in the profits thereof or in the general profits of the Company either in addition to or in substitution for a salary or other remuneration.
 - (c) To resolve that the Company be deregistered in the Cayman Islands and continued in a named jurisdiction outside the Cayman Islands subject to the provisions of the Law.

102. The Board may establish any regional or local boards or agencies for managing any of the affairs of the Company in any place, and may appoint any persons to be members of such local boards, or any agents, and may fix their remuneration (either by way of salary or by commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes) and pay the working expenses of any staff employed by them upon the business of the Company. The Board may delegate to any regional or local board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the Board (other than its powers to make calls and forfeit shares), with power to sub-delegate, and may authorise the members of any of them to fill any vacancies therein and to act notwithstanding vacancies. Any such appointment or delegation may be made upon such terms and subject to such conditions as the Board may think fit, and the Board may remove any person appointed as aforesaid, and may revoke or vary such delegation, but no person dealing in good faith and without notice of any such revocation or variation shall be affected thereby.

103. The Board may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Articles) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. Such attorney or attorneys may, if so authorised under the Seal of the Company, execute any deed or instrument under their personal seal with the same effect as the affixation of the Company's Seal.

104. The Board may entrust to and confer upon any Director any of the powers exercisable by it upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.

105. All cheques, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine. The Company's banking accounts shall be kept with such banker or bankers as the Board shall from time to time determine.

106. (1) The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's moneys to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any of its subsidiary companies) and ex-employees of the Company and their dependants or any class or classes of such person.
 - (2) The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as mentioned in the last preceding paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of or upon or at any time after his actual retirement, and may be subject or not subject to any terms or conditions as the Board may determine.
-

BORROWING POWERS

107. Subject to the provisions of these Articles, including without limitation Article 102(4), the Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
108. Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
109. Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.
110. (1) Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the Members or otherwise, to obtain priority over such prior charge.
- (2) The Board shall cause a proper register to be kept, in accordance with the provisions of the Law, of all charges specifically affecting the property of the Company and of any series of debentures issued by the Company and shall duly comply with the requirements of the Law in regard to the registration of charges and debentures therein specified and otherwise.

PROCEEDINGS OF THE DIRECTORS

111. The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the Chairman of the Board shall have an additional or casting vote.
112. A meeting of the Board may be convened by the Secretary on request of a Director or by any Director. The Secretary shall convene a meeting of the Board of which notice may be given in writing or by telephone or in such other manner as the Board may from time to time determine whenever he shall be required so to do by the president or Chairman of the Board, as the case may be, or any Director.
113. (1) The quorum necessary for the transaction of the business of the Board shall be three (3), including the Chairman of the Board. An alternate Director shall be counted in a quorum in the case of the absence of a Director for whom he is the alternate provided that he shall not be counted more than once for the purpose of determining whether or not a quorum is present.
- (2) Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.
- (3) Any Director who ceases to be a Director at a Board meeting may continue to be present and to act as a Director and be counted in the quorum until the termination of such Board meeting if no other Director objects and if otherwise a quorum of Directors would not be present.
114. The continuing Directors or a sole continuing Director may act notwithstanding any vacancy in the Board but, if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles, the continuing Directors or Director, notwithstanding that the number of Directors is below the number fixed by or in accordance with these Articles as the quorum or that there is only one continuing Director, may act for the purpose of filling vacancies in the Board or of summoning general meetings of the Company but not for any other purpose.
115. The Chairman of the Board shall be the chairman of all meetings of the Board. If the Chairman of the Board is not present at any meeting within fifteen (15) minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.
116. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.
117. (1) The Board may delegate any of its powers, authorities and discretions to committees (including, without limitation, the Audit Committee), consisting of such Director or Directors and other persons as it thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.
-

(2) All acts done by any such committee in conformity with such regulations, and in fulfilment of the purposes for which it was appointed, but not otherwise, shall have like force and effect as if done by the Board, and the Board (or if the Board delegates such power, the committee) shall have power to remunerate the members of any such committee, and charge such remuneration to the current expenses of the Company.

118. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board under the last preceding Article, indicating, without limitation, any committee charter adopted by the Board for purposes or in respect of any such committee.

119. A resolution in writing signed by all the Directors except such as are temporarily unable to act through ill-health or disability shall (provided that such number is sufficient to constitute a quorum and further provided that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by these Articles) be as valid and effectual as if a resolution had been passed at a meeting of the Board duly convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors and for this purpose a facsimile signature of a Director shall be treated as valid.

120. All acts bona fide done by the Board or by any committee or by any person acting as a Director or members of a committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.

AUDIT COMMITTEE, COMPENSATION COMMITTEE AND NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

121. (1) Without prejudice to the freedom of the Directors to establish any other committees, for so long as the shares of the Company (or depositary receipts therefor) are listed or quoted on the Designated Stock Exchange, the Board shall establish and maintain:

- (i) an Audit Committee as a committee of the Board, the composition and responsibilities of which shall comply with the Designated Stock Exchange Rules and the rules and regulations of the SEC. The Audit Committee shall consist of three (3) Directors, each of whom shall be an Independent Director (howsoever appointed);
- (ii) a Compensation Committee as a committee of the Board, the composition and responsibilities of which shall comply with the Designated Stock Exchange Rules and the rules and regulations of the SEC. The Compensation Committee shall consist of three (3) Directors; and
- (iii) a Nominating and Corporate Governance Committee as a committee of the Board, the composition and responsibilities of which shall comply with the Designated Stock Exchange Rules and the rules and regulations of the SEC. The Nominating and Corporate Governance Committee shall consist of three (3) Directors.

122. (1) The Board shall adopt a formal written committee charter in respect of each of the above committees and review and assess the adequacy of the formal written charter on an annual basis.

(2) The Audit Committee shall meet at least once every financial quarter, or more frequently as circumstances dictate. The other committees shall meet at least once every financial year, or more frequently as circumstances dictate.

123. For so long as the shares of the Company (or depositary receipts therefor) are listed or quoted on the Designated Stock Exchange, the Company shall conduct an appropriate review of all related party transactions on an ongoing basis and shall utilize the Audit Committee for the review and approval of potential conflicts of interest. Specially, the Audit Committee shall approve any transaction or transactions between the Company and any of the following parties: (i) any shareholder owning an interest in the voting power of the Company or any subsidiary of the Company that gives such shareholder significant influence over the Company or any subsidiary of the Company, (ii) any director or executive officer of the Company or any subsidiary of the Company and any relative of such director or executive officer, (iii) any person in which a substantial interest in the voting power of the Company is owned, directly or indirectly, by any person described in (i) or (ii) or over which such a person is able to exercise significant influence, and (iv) any affiliate (other than a subsidiary) of the Company.

OFFICERS

124. (1) The officers of the Company shall consist of the Chairman of the Board and Secretary and such additional officers (who may or may not be Directors) as the Board may from time to time determine, all of whom shall be deemed to be officers for the purposes of the Law and these Articles.

(2) The officers shall receive such remuneration as the Directors may from time to time determine.

125. (1) The Secretary and additional officers, if any, shall be appointed by the Board and shall hold office on such terms and for such period as the Board may determine. If thought fit, two or more persons may be appointed as joint Secretaries. The Board may also appoint from time to time on such terms as it thinks fit one or more assistant or deputy Secretaries.
- (2) The Secretary shall attend all meetings of the Members and shall keep correct minutes of such meetings and enter the same in the proper books provided for the purpose. He shall perform such other duties as are prescribed by the Law or these Articles or as may be prescribed by the Board.
126. The officers of the Company shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Directors from time to time.
127. A provision of the Law or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as or in place of the Secretary.

REGISTER OF DIRECTORS AND OFFICERS

128. The Company shall cause to be kept in one or more books at its Office a Register of Directors and Officers in which there shall be entered the full names and addresses of the Directors and Officers and such other particulars as required by the Law or as the Directors may determine. The Company shall send to the Registrar of Companies in the Cayman Islands a copy of such register, and shall from time to time notify to the said Registrar of any change that takes place in relation to such Directors and Officers as required by the Law.

MINUTES

129. (1) The Board shall cause minutes to be duly entered in books provided for the purpose:
- (a) of all elections and appointments of officers;
- (b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;
- (c) of all resolutions and proceedings of each general meeting of the Members, or of all meetings of the Board and meetings of committees of the Board.
- (2) Minutes shall be kept by the Secretary at the Office.

SEAL

130. (1) The Company shall have one or more Seals, as the Board may determine. For the purpose of sealing documents creating or evidencing securities issued by the Company, the Company may have a securities seal which is a facsimile of the Seal of the Company with the addition of the word "Securities" on its face or in such other form as the Board may approve. The Board shall provide for the custody of each Seal and no Seal shall be used without the authority of the Board or of a committee of the Board authorised by the Board in that behalf. Subject as otherwise provided in these Articles, any instrument to which a Seal is affixed shall be signed autographically by one Director and the Secretary or by two Directors or by such other person (including a Director) or persons as the Board may appoint, either generally or in any particular case, save that as regards any certificates for shares or debentures or other securities of the Company the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature. Every instrument executed in manner provided by this Article shall be deemed to be sealed and executed with the authority of the Board previously given.
- (2) Where the Company has a Seal for use abroad, the Board may by writing under the Seal appoint any agent or committee abroad to be the duly authorised agent of the Company for the purpose of affixing and using such Seal and the Board may impose restrictions on the use thereof as may be thought fit. Wherever in these Articles reference is made to the Seal, the reference shall, when and so far as may be applicable, be deemed to include any such other Seal as aforesaid.
-

AUTHENTICATION OF DOCUMENTS

131. Any Director or the Secretary or any person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts, and if any books, records, documents or accounts are elsewhere than at the Office or the head office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person so appointed by the Board. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any committee which is so certified shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting.

DESTRUCTION OF DOCUMENTS

132. (1) The Company shall be entitled to destroy the following documents at the following times:
- (a) any share certificate which has been cancelled at any time after the expiry of one (1) year from the date of such cancellation;
 - (b) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address at any time after the expiry of two (2) years from the date such mandate variation cancellation or notification was recorded by the Company;
 - (c) any instrument of transfer of shares which has been registered at any time after the expiry of seven (7) years from the date of registration;
 - (d) any allotment letters after the expiry of seven (7) years from the date of issue thereof; and
 - (e) copies of powers of attorney, grants of probate and letters of administration at any time after the expiry of seven (7) years after the account to which the relevant power of attorney, grant of probate or letters of administration related has been closed;

and it shall conclusively be presumed in favour of the Company that every entry in the Register purporting to be made on the basis of any such documents so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every other document destroyed hereunder was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided always that: (1) the foregoing provisions of these Article shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document was relevant to a claim; (2) nothing contained in this Article shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any case where the conditions of provision (1) above are not fulfilled; and (3) references in these Article to the destruction of any document include references to its disposal in any manner.

- (2) Notwithstanding any provision contained in these Articles, the Directors may, if permitted by applicable law, authorise the destruction of documents set out in sub-paragraphs (a) to (e) of paragraph (1) of this Article and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that these Article shall apply only to the destruction of a document in good faith and without express notice to the Company and its share registrar that the preservation of such document was relevant to a claim.

DIVIDENDS AND OTHER PAYMENTS

133. Subject to the Law, the Board may from time to time declare dividends in any currency to be paid to the Members.
134. Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. The Board may also declare and pay dividends out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.
135. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:
- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of these Article as paid up on the share; and
 - (b) all dividends shall 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.
-

136. The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.
137. The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.
138. No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.
139. Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.
140. All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.
141. Whenever the Board has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members 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 Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.
142. (1) Whenever the Board has resolved that a dividend be paid or declared on any class of the share capital of the Company, the Board may further resolve either:
- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Members entitled thereto will be entitled to elect to receive such dividend (or part thereof if the Board so determines) in cash in lieu of such allotment. In such case, the following provisions shall apply:
- (i) the basis of any such allotment shall be determined by the Board;
- (ii) the Board, after determining the basis of allotment, shall give not less than ten (10) days' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
- (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
-

- (iv) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised (“the non-elected shares”) and in satisfaction thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account, share premium account, capital redemption reserve other than the Subscription Rights Reserve) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the non-elected shares on such basis; or
 - (b) that the Members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. In such case, the following provisions shall apply:
 - (i) the basis of any such allotment shall be determined by the Board;
 - (ii) the Board, after determining the basis of allotment, shall give not less than ten (10) days’ Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
 - (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
 - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on shares in respect whereof the share election has been duly exercised (“the elected shares”) and in lieu thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account, share premium account, capital redemption reserve other than the Subscription Rights Reserve) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the elected shares on such basis.
- (2) (a) The shares allotted pursuant to the provisions of paragraph (1) of this Article shall rank *paripassu* in all respects with shares of the same class (if any) then in issue save only as regards participation in the relevant dividend or in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend unless, contemporaneously with the announcement by the Board of their proposal to apply the provisions of sub-paragraph (a) or (b) of paragraph (2) of this Article in relation to the relevant dividend or contemporaneously with their announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (1) of this Article shall rank for participation in such distribution, bonus or rights.
- (b) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this Article, with full power to the Board to make such provisions as it thinks fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned). The Board may authorise any person to enter into on behalf of all Members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
- (3) The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any particular dividend of the Company that notwithstanding the provisions of paragraph (1) of this Article a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.
- (4) The Board may on any occasion determine that rights of election and the allotment of shares under paragraph (1) of this Article shall not be made available or made to any shareholders with registered addresses in any territory where, in the absence of a registration statement or other special formalities, the circulation of an offer of such rights of election or the allotment of shares would or might, in the opinion of the Board, be unlawful or impracticable, and in such event the provisions aforesaid shall be read and construed subject to such determination. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.
- (5) Any resolution of the Board declaring a dividend on shares of any class, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Article shall mutatis mutandis apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.
-

RESERVES

143. (1) The Board shall establish an account to be called the share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. Unless otherwise provided by the provisions of these Articles, the Board may apply the share premium account in any manner permitted by the Law. The Company shall at all times comply with the provisions of the Law in relation to the share premium account.
- (2) Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

CAPITALISATION

144. The Board may, at any time and from time to time, pass a resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Article, a share premium account and any capital redemption reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid.
145. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Article and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.

SUBSCRIPTION RIGHTS RESERVE

146. The following provisions shall have effect to the extent that they are not prohibited by and are in compliance with the Law:
- (1) If, so long as any of the rights attached to any warrants issued by the Company to subscribe for shares of the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions of the conditions of the warrants, would reduce the subscription price to below the par value of a share, then the following provisions shall apply:
- (a) as from the date of such act or transaction the Company shall establish and thereafter (subject as provided in this Article) maintain in accordance with the provisions of this Article a reserve (the "Subscription Rights Reserve") the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal or par value amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub-paragraph (c) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Rights Reserve in paying up such additional shares in full as and when the same are allotted;
- (b) the Subscription Rights Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;
- (c) upon the exercise of all or any of the subscription rights represented by any warrant, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising warrant holder, credited as fully paid, such additional nominal amount of shares as is equal to the difference between:
-

- (i) the said amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and
- (ii) the nominal or par value amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the warrants, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par and immediately upon such exercise so much of the sum standing to the credit of the Subscription Rights Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising warrant holders; and
- (d) if, upon the exercise of the subscription rights represented by any warrant, the amount standing to the credit of the Subscription Rights Reserve is not sufficient to pay up in full such additional nominal or par value amount of shares equal to such difference as aforesaid to which the exercising warrant holder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, share premium account) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment and allotment, the exercising warrant holder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising warrant holder upon the issue of such certificate.
- (2) Shares allotted pursuant to the provisions of this Article shall rank *pari passu* in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the warrant concerned. Notwithstanding anything contained in paragraph (1) of this Article, no fraction of any share shall be allotted on exercise of the subscription rights.
- (3) The provision of this Article as to the establishment and maintenance of the Subscription Rights Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating the provisions for the benefit of any warrant holder or class of warrant holders under this Article without the sanction of a special resolution of such warrant holders or class of warrant holders.
- (4) A certificate or report by the auditors for the time being of the Company as to whether or not the Subscription Rights Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Rights Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising warrant holders credited as fully paid, and as to any other matter concerning the Subscription Rights Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all warrant holders and shareholders.

ACCOUNTING RECORDS

147. The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.
148. The accounting records shall be kept at the Office or, at such other place or places as the Board decides and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.
149. [DELETED]
150. [DELETED]
151. [DELETED]

AUDIT

152. Subject to applicable law and rules of the Designated Stock Exchange:
 - (1) The Board shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the Board appoints another auditor. Such auditor may be a Member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.
 - (2) The Board may remove the Auditor at any time before the expiration of his term of office and may by resolution appoint another Auditor in his stead.
-

153. Subject to the Law the accounts of the Company shall be audited at least once in every year.
154. The remuneration of the Auditor shall be fixed by the Board.
155. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors shall fill the vacancy and determine the remuneration of such Auditor.
156. The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto; and he may call on the Directors or officers of the Company for any information in their possession relating to the books or affairs of the Company.
157. The statement of income and expenditure and the balance sheet provided for by these Articles shall be examined by the Auditor and compared by him with the books, accounts and vouchers relating thereto; and he shall make a written report thereon stating whether such statement and balance sheet are drawn up so as to present fairly the financial position of the Company and the results of its operations for the period under review and, in case information shall have been called for from Directors or officers of the Company, whether the same has been furnished and has been satisfactory. The financial statements of the Company shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the Auditor should disclose this act and name such country or jurisdiction.

NOTICES

158. Any Notice or document, whether or not, to be given or issued under these Articles from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.
159. Any Notice or other document:
- (a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof;
 - (b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company's website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;
 - (c) if served or delivered in any other manner contemplated by these Articles, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the act and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof; and
 - (d) may be given to a Member in the English language or such other language as may be approved by the Directors, subject to due compliance with all applicable Statutes, rules and regulations.
160. (1) Any Notice or other document delivered or sent by post to or left at the registered address of any Member in pursuance of these Articles shall, notwithstanding that such Member is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Member as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such Notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.
-

- (2) A notice may be given by the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a Member by sending it through the post in a prepaid letter, envelope or wrapper addressed to him by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.
- (3) Any person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which prior to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.

SIGNATURES

161. For the purposes of these Articles, a cable or telex or facsimile or electronic transmission message purporting to come from a holder of shares or, as the case may be, a Director, or, in the case of a corporation which is a holder of shares from a director or the secretary thereof or a duly appointed attorney or duly authorised representative thereof for it and on its behalf, shall in the absence of express evidence to the contrary available to the person relying thereon at the relevant time be deemed to be a document or instrument in writing signed by such holder or Director in the terms in which it is received.

WINDING UP

162. (1) The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.
- (2) A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.
163. (1) Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the Members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such Members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that, a nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.
- (2) If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Law, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

INDEMNITY

164. (1) The Directors, Secretary and other officers and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them, and every one of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.
-

- (2) Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION
AND NAME OF COMPANY

165. (1) Subject to the provisions of Article 9(c), no Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. Subject to the provisions of these Articles, a special resolution shall be required to alter the provisions of the Memorandum of Association or to change the name of the Company.

INFORMATION

166. No Member shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interests of the Members of the Company to communicate to the public.

MERGER AND CONSOLIDATION

167. The Company shall have the power to merge or consolidate with one or more other constituent companies (as defined in the Statute) upon such terms as the Directors may determine and (to the extent required by the Statute) with the approval of a special resolution.

CHANGE OF CONTROL EVENT

168. The Members shall determine the following matters by Special Resolution:

(1) an amalgamation, arrangement or consolidation or scheme of arrangement:

(i) in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or

(ii) following which the holders of the Ordinary Shares of the Company do not continue to hold more than 50% of the combined voting power of the ordinary shares of the surviving entity, or

(2) sale, transfer or other disposition of all or substantially all of the assets of the Company.

Agreement of Cooperation on Tencent Advertising Services between Service Provider and Tencent**Party A: OptAim (Beijing) Information Technology Company Limited****Party B: Beijing Tencent Culture Media Co., Ltd.**

Party A is an entity incorporated and operated according to law and wishes to apply to become a service provider of Tencent Advertising Service Platform legally operated by Party B and to promote Tencent Advertising services. Party B agrees to accept Party A's application. The Parties enter into the following agreement upon consensus through negotiation:

1. Definitions

Unless expressly agreed otherwise, the following terms shall have the following meanings in this Agreement:

1.1 Tencent Advertising Service Platform: refers to the advertising platform (including Guandongtong System, the advertising service system of WeChat Official Platform, and brand schedule advertising system, subject to those provided by Tencent Advertising Service Platform, referred to as "Tencent Platform") independently researched, developed and operated by Party B or its affiliates or partners which can provide traffic procurement and marketing promotion, fee statistics, data query, material management and other Tencent advertising services. Advertisers/service providers can display their advertising in different media through Guandongtong System, Tencent Alliance Advertising, advertisements in Moments, advertisements in WeChat Official Platform, Tencent Video Advertising, Tencent News Advertising, QQ.com Advertising and other channels of Tencent Platform according to Tencent Platform Rules. The services provided by Party B through the Tencent Advertising Service Platform are collectively referred to as "Tencent Advertising Services".

1.2 Service Provider: refers to the legal person or other organization that has the right to promote Tencent Advertising Services to advertisers according to law upon review and approval of Party B. The Service Provider will register corresponding Tencent platform account, referred to as the "Service Provider Account", according to the specific type of Tencent Advertising Service of its choice, or directly enter into a separate advertising execution form with Party B to apply for and implement the placement of advertising.

1.3 Advertiser: refers to the subject that advertises and promotes products and services to users through Tencent Advertising Service Platform, including sub-client advertiser and direct advertiser.

1.4 Sub-Client Advertiser: refers to the advertiser introduced by Service Providers who uses Tencent Advertising Services, referred to hereinafter as “Sub-Clients”.

1.5 Traffic Owners: refer to the operators of websites, games, applications, software and other media (such as QQ, WeChat, Tencent Video, Tencent News and other apps, etc.) who provide related pages and locations for display of advertising, including but not limited to Party B’s affiliates, Party B’s partners and other subjects.

1.6 Media: refers to websites, games, applications, etc. that are operated by Traffic Owners and provide display pages and locations for advertising, including but not limited to Tencent, QQ, Qzone, WeChat, Tencent Video, Tencent News and other products operated by Party B or Party B’s affiliates, as well as websites, games, applications, and other products operated by partners of Party B.

1.7 Advertising: refers to the information content that is designed and produced by Advertisers or that Advertisers entrust others to design and produce according to law, including but not limited to pictures, text, video and flash, etc. Advertising is used to promote the own brands of the Advertisers or the goods or services produced or sold by Advertisers . Advertising includes advertising materials and landing pages.

1.8 Landing Page: refers to the content to which the Advertising is directed, that is, the page that the user obtains after it clicks the Advertising.

1.9 Promotion Target: refers to products or services promoted directly or indirectly by Advertising, including but not limited to the WeChat Official Accounts and webpages that are directly targeted by the Landing Pages.

1.10 Advertising Expenses: refer to the costs of using Tencent Advertising Services. The payment methods include but are not limited to CPC (Cost per Click), CPT (Cost per Time) and CPM (Cost per Impression), which shall be subject to the specific rules of Tencent Platform.

1.11 Tencent Platform Rules: refer to relevant rules that the Service Providers and Advertisers need to observe when using the Tencent Platform, including but not limited to access rules, advertising review and approval standards, standards of non-compliance penalties, program trading management practices, rebate policies, management rules for Service Providers and the agreements, rules, norms, etc. related to Tencent Advertising that may be released in the future. Relevant content may be manifested in various forms such as website announcements, written documents, notices and FAQs. The Service Providers and Advertisers shall comply with them.

1.12 Management Rules for Service Providers: refer to the agreements and rules related to services, marketing, use of services and other activities of Service Providers, and the agreements, rules, and norms related to Service Providers that may be issued in the future, which are collectively referred to as “Management Rules for Service Providers”. Relevant content may be manifested in various forms such as written documents, notices and FAQs. Service Providers shall comply with them.

1.13 Laws and Regulations: refer to relevant laws, regulations, departmental rules and industry norms of the People’s Republic of China (including Hong Kong, Macao and Taiwan), the location of Service Providers/Advertisers , and the countries and regions where the Advertising is actually displayed.

2. Rules for Service

2.1 Party A shall promote the Tencent Advertising Services in a legal and proper way, including but not limited to complying with the following provisions:

- (1) Party A shall assign personnel responsible for Tencent Advertising Services, expand market through market events, advertisement and other positive and active means, and protect Party B's corporate and brand image, according to the principles of good faith and mutual benefit. Party A shall attract Sub-Clients by quality client service, and shall not commit unfair competition by means of low price or rebate, etc.
- (2) Party A shall develop Sub-Clients as the Tencent Advertising Service Provider, and shall not do so in the name of Party B or its affiliate direct or indirectly, nor mislead the Sub-Clients to believe that Party B contact them on behalf of Party B or its affiliate, unless as otherwise agreed by the parties.
- (3) Party A shall not solicit Sub-Clients in any improper way, including but not limited to copying, counterfeiting or forging directly the official website of Tencent Advertising Service Platform (including but not limited to the advertising placement port system), and thus misleading any third party to believe that any website operated by Party A is the official website of Tencent Advertising Service or making any third party to confuse Party A's website or system with the official website or system of Tencent Advertising Service.
- (4) Party A shall not use technology or other means to damage or disrupt the operation of Tencent's platform or interfere with the use of Tencent's platform by others, nor produce and disseminate methods to achieve the aforementioned objectives, nor counterfeit, or use any counterfeited, Tencent platform products (including but not limited to counterfeiting Tencent Advertising Services) to misunderstand or confuse users.

2.2 Party A shall provide true, legal and valid supporting documents of Party A and any Advertiser in accordance with the Tencent Platform Rules (all documents must be affixed with the official seal or signed by relevant party), including but not limited to:

- (1) Business licenses and other identification documents, and other production and operating qualifications, etc.
- (2) Complete, legitimate and effective contact information such as email address, telephone number and domicile address, etc.
- (3) Other necessary certification documents, including but not limited to product quality inspection certificates, authorization documents, and advertisement review forms, etc.

If the above supporting documents change, Party A shall notify Party B in writing within 3 working days from the date of change, or shall make such change in accordance with Tencent Platform Rules.

2.3 Tencent Platform Rules may be unilaterally adjusted at any time in accordance with its operational arrangements or legal and regulatory requirements, including but not limited to formulation and adjustment of the types of access entities (e.g., natural persons and legal entities, etc.), design standards for Advertising, review rules for Advertising, industry access categories, qualification review scope, rebate policy, service provider management rules, and collection or exemption of certain amount or percentage of the security deposit for certain industries and circumstances, according to the operation strategy of Traffic Owners. Party A understands and agrees that:

(1) Party B has the right to inform Party A of Tencent Platform Rules through one or more of the ways including SMS, instant message (such as QQ and WeChat), e-mail, self-service system, on-site news and website announcements on its own or through Tencent Platform. Party A shall promptly review relevant content.

(2) Party A shall abide by the adjusted Tencent Platform Rules which take effect from the effective date specified in the notification. The adjustment of Tencent Platform Rules may cause changes in access standards and promotion standards. No party may require Party B to provide services on the grounds of the old standards.

(3) If Party A disagrees with the aforementioned adjustments of Tencent platform rules, Party A shall immediately stop using Tencent Advertising Services and notify Party B in writing of termination of this Agreement. If Party A continues to use Tencent Advertising Services in any way, Party A shall deem it as Party A's approval and acceptance of relevant Tencent Platform Rules.

(4) Where Party A no longer meets relevant requirements of Tencent platform rules after the above adjustment, Party A shall immediately contact Party B in writing and modify, change and supplement relevant supporting documents, or immediately stop using Tencent Advertising Services and notify in writing Party B to terminate this Agreement. Otherwise, Party B has the right to terminate provision of the Services immediately. All legal consequences arising therefrom shall be borne by Party A solely.

2.4 Tencent Platform may involve multiple kinds of platform services (such as Guangleitong System, the advertising service system of WeChat Official Accounts, brand schedule advertising system). Party A has the right to select any specific kind of Tencent Platform advertising services based on its needs, and register any service provider account or enter into any advertising execution form according to the kind of service it selects, and comply with relevant service rules and agreements. Party A understands and agrees that:

(1) Party A shall carefully keep its service provider account and password. Party A has the right to authorize any third party to operate its service provider account according to the rules of Tencent Platform, provided that Party A shall always be fully responsible for any act and result under its account.

(2) The service provider account and Sub-Client management rules or the advertisement execution form requirements may vary with the Tencent Advertising Services. Party A shall establish relationship at Tencent Platform according to its selected kind of service and Sub-Clients, or shall sign the advertisement execution form marking expressly the information of Sub-Clients, to ensure that it is fully authorized to assist the Sub-Clients to use Tencent Advertising Service Platform, and shall procure the Sub-Clients to comply with corresponding rules of Tencent Platform.

(3) The Sub-Clients may manage their Tencent Platform accounts by themselves or entrusting any third parties (including but not limited to any service providers or agents of Tencent Advertising Service Platform). Tencent Platform may provide connecting channels for Party A and Sub-Clients. Party A shall establish, manage or cancel its relationship with Sub-Clients according to their agreement and the rules of Tencent Platform.

Party A shall ensure the Sub-Clients are aware of and agree to follow the rules of Tencent Platform, and the Sub-Clients are willing to use Tencent Advertising Services. Unless as otherwise agreed, Party B shall not may any undertaking on the volume of visits, sales, and playbacks after Party A and the Sub-Clients use Tencent Advertising Services.

Party A and the Sub-Clients shall negotiate all matters by themselves with respect to fee collection, promotion and placement, invoicing, refund of fee, and use of Tencent Advertising Services. However, Party A shall not make any agreement or undertaking relating to Party B in any form without written consent of Party B. Party A shall resolve any dispute with Sub-Clients by itself, without involving Party B.

Party A shall be independently responsible to verify whether the qualifications, Advertising, and Promotion Targets submitted by Sub-Clients comply with relevant laws and regulations and the requirements of this Agreement, and ensure that Sub-Clients has the right to place relevant advertisements.

2.5 Party A shall abide by relevant laws and regulations and ensure that Sub-Clients shall not implement the following activities or provide convenience for such activities, including but not limited to:

- (1) Objecting to the basic principles set by the Constitution.
- (2) Endangering national security, reveal state secrets, subvert state power, and undermine national unity.
- (3) Damaging national honors and interests.
- (4) Inciting ethnic hatred and ethnic discrimination, and undermine national unity.
- (5) Destroying national religious policy and promote cults and feudal superstitions.
- (6) Spreading rumors, disrupt social order and undermine social stability.
- (7) Disseminating obscenity, pornography, gambling, violence, homicide, terror, harassment, vulgarity or instigate others to commit any crime.
- (8) Insulting or slandering others or infringe the legal rights and interests of others.
- (9) Infringing other people's legal rights such as intellectual property rights and business secrets.
- (10) Fabricating facts or concealing the truth to mislead and deceive others.
- (11) Implementing illegal Internet activities such as gaming, gambling games, "private servers" and "plug-ins".
- (12) Other behaviors in violation of public order or good practices or prohibited by laws and regulations.

2.6 Where any service provider set up advertisement requirements at Tencent Advertising Service Platform or enters into advertisement execution form with Party B, Party A shall understand the media may be revised or upgraded where the Traffic Owner's business needs. In such case, Party A and Party B shall negotiate amicably to ensure the revision or upgrade will not affect display of advertisement. If there is any error or missing in display of advertisement, or if Party A's advertisement is not displayed timely due to any upgrade or change of advertising resources, Party B shall compensate Party A with the advertising resources of equivalent value to display the advertisement. Apart from that, Party B shall not assume any liability.

2.7 Tencent Advertising Service Platform may provide big data analysis capacity for service providers or advertisers. The data used by any service provider or advertiser shall be true data collected, acquired or generated legally in the ordinary course of business, and have been taken appropriate security measures (including but not limited to encryption methods). The service provider or advertiser should have legal title and right of disposal to such data, and has the right to use such data on Tencent Advertising Service Platform.

Party A is aware and undertakes that the title and intellectual property rights in the data, information or aggregate report generated from Party B's big data analysis service or other data generated from Party B's services shall be vest in Party B exclusively, and Party A may use the same only for purpose of this Agreement. Party A shall not disclose, divulge or provide to any third party any big data analysis or result provided by Party B. In addition, subject to relevant laws and regulations, Party A shall promptly share any way of handling privacy during the cooperation hereunder, and shall timely provide Party B with relevant information where any risk arises from the cooperation business mode hereunder or other major issues arises from any change of the mode.

2.8 Tencent Platform may provide service providers or advertisers with various advices, references and examples ("Advices") on content design, paperwork writing, display rules and selection of products based on its industry experience. The Advices are value-added services provided by Tencent Platform for service providers or advertisers, and are for reference only. Service providers or advertisers shall not use such Advices without judgment, and shall evaluate whether to make necessary adjustment based its own circumstances, to ensure their advertisement is legal and lawful. Tencent Platform makes no covenants or warranties on any use of the Advices by any service provider or advertiser. The service provider or advertiser shall assume any legal consequences arising from use of such Advices.

2.9 The Traffic Owner may set up difference advertisement display rules for difference media based on its operation arrangement, use experience or other considerations, such as entity access standards (e.g., natural person, legal person etc.), advertising design standards, advertising review rules, industry access category, qualification review scope, and screen the advertisement applying for display. Party A shall follow the rules of the media it chooses, and agree that the Traffic Owner has the right to screen the advertisement in advance.

2.10 Special provisions on embedded resources

(1) If any media resources involve the embedded resources of self-made drama of Tencent (including self-made film, television and cartoon), Party B shall be responsible to produce relevant embedded resources which shall represent corresponding interest of Party A and Sub-Clients (subject to written confirmation of the parties). Unless as otherwise stipulated, the prices for production and display of the embedded resources shall be included in the total amount of the advertisement execution form. Party B has the right to withdraw or replace the above embedded resources when the display period expires. Party A acknowledges and understands that if the display time of the self-made drama containing the embedded resources is changed or the self-made drama is unable to display, or other circumstance where the interest of Party A or Sub-Client cannot be achieved, due to any adjustment of display timing of any satellite TV or online media, or other factors not attributable to Party B or beyond Party B's control, Party B shall not be deemed in breach of this agreement, and is not required to compensate Party A or any Sub-Client or assume any other liability for breach of contract.

(2) The content of any embedded resources (including episodes, actors or duration) shall be determined by Party B. Party A may provide advice thereon.

(3) The intellectual property rights to the embedded resources shall vest in Party B. Party A or Sub-Clients shall not use such embedded resources in any other promotion or display channels in whatever form, or license or transfer such resources to any third person. Otherwise, Party A or Sub-Clients shall be liable for all losses incurred by Party B thereby.

(4) If the advertising display cooperation involving the embedded resources is suspended or early terminated (including but limited to withdrawal of advertisement, Party B's termination of contract for any breach), the production costs of the embedded resources (including but not limited to the costs for shooting, makeup and travel of the artists) shall be borne by Party A. Moreover, Party A shall be liable for all losses of Party B.

3. Party A's Rights and Obligations

3.1 Party A warrants that it is a legal entity who is duly established and operates according to laws and regulations, has obtained necessary operating qualifications, and has the right and power to execute and perform this agreement. Party A undertakes to follow the rules of Tencent Platform and use funds of lawful source to pay the advertisement costs.

3.2 Party A shall review the qualification, supporting documents, advertising content, and promotion object etc. of the Sub-Clients independently, and shall ensure that they meet the requirements of the *Advertising Law of the People's Republic of China* and other relevant laws and regulations as well as Tencent Platform Rules, including but not limited to the following:

(1) Sub-Clients have the qualification to operate the products and services they provide and to publish advertisements of such products and services.

(2) Advertising must not contain security threats, including but not limited to phishing websites, viruses, Trojans, and other malicious programs, or any content endangering the security of network or other's interest.

(3) Use of any right of others in Advertising including name, image (including cartoon image), logo or works or claim of having any cooperative relationship with others, shall be subject to the prior consent of the right holder.

(4) The brand, performance, quality, price, undertakings and other content related to Advertising shall be obvious, clear and consistent with the actual situation, including but not limited to the consistency of the content of promised gifts and rewards (including but not limited to game currency, virtual goods, real goods and discounts) with the actual situation and no false awards, prize-giving sales and gifts.

(5) Landing Pages content or Promotion Targets that Advertising aims at shall be legally established and have legal business qualifications. In addition, Sub-Clients must have legal rights for the Promotion Targets such as websites, and have the right to do marketing on them and use them.

(6) The advertisement and Promotion Targets shall not contain any content that violates laws and regulations, nor contain any malicious programs that may compromise network security such as hacking, password stealing, Trojans or viruses. For example, promotion websites/applications/public numbers etc. shall not involve in promotion or sale of counterfeit and shoddy products, illegal business activities, dissemination of infringement or pornographic information. In addition, the promoted applications/software or other products shall not result in infringement of the users' rights and interests, such as unclear deduction of charge items, unclear fee deduction reminders, malicious deduction of fees, and concealed setting of fee deduction procedures.

(7) Other circumstances provided by laws, regulations, rules or Tencent Platform Rules.

3.3 The content of Landing Pages shall be closely related to Advertising. In addition, the content of Landing Pages actually displayed shall be consistent with the content submitted for review, including but not limited to:

(1) Landing Pages shall be safe and stable and can be opened for browsing properly.

(2) No major change may be made to the content displayed on the landing page websites during the period of launch. For example, ordinary products that have been promoted shall not be changed to the products that shall be operated with special operating qualifications. If any change is required, Party B shall be notified in advance and the change shall be submitted to Party B for review.

(3) No directed jumps of Advertising may be made based on factors such as region, time, and IP to mismatch the links of Landing Pages and Advertising with those at the time of review.

(4) No act in violation of laws, regulations or provisions in this Agreement may be carried out through setting of malicious codes or viruses on the Landing Pages or any other way.

(5) Other violations of laws, regulations, or Tencent Platform Rules.

3.4 Party A shall use Tencent Platform in a legal and reasonable way, and shall not conduct any activities that endanger the security of the Tencent Platform or harm the rights and interests of the Platform, including but not limited to:

(1) Making any changes or attempt to change service system configuration of Tencent Platform or disrupt system security.

(2) Any action that destroys or attempts to destroy network security including but not limited to maliciously scanning of websites and servers, illegal invasion to systems and illegal acquisition by means of viruses, Trojans, malicious codes and phishing.

(3) Destructing or disrupting the operation of Tencent Platform or impede the use of Tencent Platform by others with the use of technology or by other means, or create and disseminate methods for implementing the aforementioned purposes.

(4) Counterfeiting or using counterfeit Tencent platform products (including but not limited to imitation of the forms of Tencent Advertising Services) to mislead or confuse users.

(5) Other actions that endanger the security of the Tencent Platform or harm the rights and interests of the Tencent Platform.

3.5 Party A shall independently resolve any controversy or dispute arising from Advertising and Promotion Targets etc. and entirely assume relevant liability. For example, Party A shall act in its own name to negotiate with third parties, respond to lawsuits or accept investigation of competent authorities etc., and shall bear all costs and compensation for losses etc.

Party A shall be responsible for any liability of any Sub-Client. If Party A or any Sub-Client violates this Agreement or Tencent Platform Rules and causes losses (including but not limited to the fees paid for handling user complaints, user claims, rights holder claims and administrative penalties etc., and confiscated Advertising Expenses etc.) to Party B, Party A shall make compensation and cooperate on the handling. Party A shall not refuse to undertake the obligations stipulated in this Agreement for the reason that Advertising is displayed for the Sub-Client, and by the Sub-Client through managing any account. If Party A suffers any loss due to any Sub-Client's violation of Tencent Platform Rules, it shall negotiate and resolve with the Sub-Client.

3.6 Based on the principles of creativity sharing and mutual benefit, Party A agrees to authorize Party B to display, introduce, evaluate and analyze the Advertising of Party A and its Sub-Clients in the form of information network dissemination and on-site training etc. through websites, on-site presentations, design tools, and product functions (including but not limited to introduction of advantages and disadvantages of any Advertising to others), for reference, learning, and selection by others.

4. Party B's Rights and Obligations

4.1 Party B shall provide technical support or information related to Tencent Advertising Services and shall be responsible for operation and maintenance of the Tencent platform system. In order to improve Tencent Advertising Services, Party B and its affiliates or partners have the right to continuously adjust Tencent Platform and its specific services. The adjustments of names, functions and domain names of Tencent Platform and its specific services will not affect the effectiveness of this Agreement.

Party B has the right to adjust or terminate some or all of the services at any time according to its unilateral operation arrangements, including but not limited to stopping or upgrading certain services, adjusting the functions of certain services or integrating certain services. Party A has the right to decide whether to continue to use relevant services according to its own needs.

4.2 Party B has the right to review the supporting documents and Advertising of Party A and Sub-Clients and decide whether to allow the presentation of Advertising according to Tencent Platform Rules. This review is pro forma. Party B does not make any warranty or covenant on the supporting documents or Advertising, nor represent any confirmation and guarantee on the authenticity and legitimacy of the Advertising. In addition, Party B's review and approval will not reduce Party A's liability of guarantee on the authenticity and legitimacy of Sub-Clients' business qualifications and Advertising. All the resulting responsibilities and consequences shall be borne by Party A.

4.3 In order to protect the interest of the parties, Party B has the right to formulate a special process for handling any infringement complaint, with which Party A and the Sub-Client shall comply. If Party A or any Sub-Client is investigated by the competent authority or is complained by a third party, or if Party A or any Sub-Client complains any third party, Party B has the right to submit the entity information, contact information, relevant content of the complaint and other necessary information of relevant parties (including but not limited to name, telephone number, certificates) to such authority or party, so as to resolve any dispute timely and protect the legitimate rights and interests of the parties. Party A and the Sub-Client shall cooperate.

If Party A or any Sub-Client is investigated by the competent authority or is complained by a third party, Party A shall handle the complaint properly within 3 natural days. Otherwise, Party B has the right to take corresponding measures according hereto, and to advance any payment to resolve the dispute and compensate loss in its sole discretion to protect the legitimate right and interest of the complainant. Party B has the right to deduct corresponding amount directly from the service provider account of Party A or the account of the breaching Sub-Client, or recover such amount otherwise from Party A.

4.4 When any Advertising is investigated by the competent authority or is complained by a third party (including but not limited to users and right holders, the same below), or if Party A or any Sub-Client violates the laws or regulations, Party B has the right to independently judge according to common sense and determine whether Party A has violated laws and regulations. If Party B judges and determines that Party A or any Sub-Client has violated laws and regulations or the terms of this Agreement (including but not limited to delay in payment), Party B has the right to unilaterally take one or more of the following measures against Party A:

- (1) Stopping presentation of allegedly illegal Advertising, whether or not the Advertising is already released.
- (2) Requiring Party A or the breaching Sub-Client to modify the Advertising until it meets relevant regulations or corrects the breach.
- (3) Removing all the Advertising submitted by Party A and the breaching Sub-Client, blocking the service provider account permanently or temporarily.
- (4) Restricting Party A and the breaching Sub-Client from using Tencent Advertising Services, and suspending the review of the content submitted by Party A.
- (5) Imposing a penalty on Party A, deduct the security deposit, or deduct the remaining amount in Party A's Service Provider Account or the sub-account of the breaching Sub-Client, or requesting Party A to pay cash of equivalent amount within a specified time limit. Relevant expenses may be used to compensate for user losses and to pay reasonable expenses, including but not limited to compensation to Party B or Traffic Owners or other entities for losses (such as administrative fines, claims of right holders, user compensation, and confiscated Advertising Expenses) caused by Party A or the breaching Sub-Client.
- (6) Suspending or terminating distribution of rebates and other special offers (whether or not they have already been generated) and recall offers such as rebates that have already been issued (if relevant rebate has been consumed, Party B has the right to deduct directly the equivalent cash from the Service Provider Account of Party A), or requesting Party A to pay cash of equivalent amount within a specified time limit.

(7) Deducting all remaining balance of the Party A's Service Provider Account or the sub-account of the breaching Sub-Client as liquidated damages without refund (if the remaining balance is insufficient to compensate Party B's losses, Party A shall make up for the insufficiency).

(8) Closing the account, terminating this Agreement, requiring Party A to assume the liability for breach of contract, etc. Meanwhile, Party B can prohibit Party A from using the Tencent Platform again.

(9) Other measures taken in accordance with Tencent Platform Rules.

Party A shall be responsible for all disputes and liabilities arising from Party B's adoption of measures against Party A and its Sub-Clients according to this agreement. In addition, Party A shall bear any resulting losses Party A, any Sub-Client or other entity suffers (including but not limited to clearing of relevant data, failure of any display plan, and Party B' owning of the remaining advance payment as liquidated damages). If Party B or others suffer losses thereby, Party A shall bear the liability for compensation independently.

4.5 To provide better quality services to the service providers and advertisers, and to enhance the level of Tencent Advertising Service, Party B has the right to sort and analyze any information generated from the use of Tencent Advertising Service by any service provider or advertiser (including but not limited to clicking rate), and use the result from such sorting or analysis for Tencent Advertising Service, including but not limited to providing continuous and better quality services to any later service providers or advertisers, conducting industry analysis or user research based on the information, or providing more appropriate advertisement to relevant users.

4.6 To protect security of the Tencent Platform accounts of service providers and advertisers, Party B has the right to freeze any account without operation during a certain period temporarily, and activate the accounts when Party A requires.

4.7 Party B has the right to transfer its rights and obligations hereunder to its affiliate in whole or in part based on its business needs, provided that it shall notify Party A 30 working days in advance.

4.8 Party B has the right to send information relating to Tencent Advertising Service, including but not limited to marketing events, discounts, new services, advertisement, to Party A by SMS, instant message (such as QQ and WeChat), e-mail, system announcements, and website messages.

4.9 The total compensation amount of Party B for any cooperation hereunder shall not exceed the total advertising cost corresponding to the breaching service. In addition, Party B shall not be liable for any loss arising from or relating to any cooperation hereunder.

5. Costs Settlement

5.1 Advertising Expenses

(1) Advertising Expenses are calculated in renminbi. Advertising Services run under the prepayment way, except otherwise agreed by the Parties. Party A needs to keep adequate balance in the Service Provider Account and the sub-accounts of Sub-Clients and timely top up such accounts, or make advance payment of Advertising Expenses as prescribed in the advertisement execution form. Otherwise, advertisement services will be affected.

(2) Data about the number of presentation times, click times and exposure times of advertising, the binding time and unbinding time of Service Providers and Sub-Clients, consumption data during the binding period and other data related to use of Tencent Advertising Services shall be subject to the back-end statistical data of Party B.

(3) In the case of advertising launch in video CPM, the performance data result shall be subject to that of Party B, or that of any independent third-party advertising performance data monitor that is confirmed by Party A and passes Party B's technical certification. If the performance data result is subject to that of such third-party advertising performance data monitor, Party A shall provide Party B with the third-party performance monitoring data within the working day after each advertising presentation. Meanwhile, Party B has the right to request at any time during the period of launch that Party A provides the latest third-party performance monitoring data. Party A must provide Party B with the latest third-party performance monitoring data within 1 working day upon receipt of such request from Party B. If Party A doesn't provide such third-party performance monitoring data within the time agreed, the performance data for CPM advertising specified in this paragraph shall still be subject to data provided by Party B.

5.2 Invoices

(1) After Party B receives any payment from Party A, Party B shall issue an invoice for Party A according to Party A's application. The invoice denomination is the total amount of cash paid by Party A to Party B.

(2) An invoice cannot be issued repetitively. Party A shall take all consequences for any error in title or mailing address of an invoice caused by Party A's submission of wrong information.

(3) After Party A's application is approved, Party B will issue an invoice in the next month after the approval. Once the relevant invoice is sent to Party A's mailing address, Party B will be deemed to have completed the invoicing obligation.

(4) Party B only issues invoices to Party A, and Party B does not issue invoices to Party A's Sub-Clients or any other third party. Party A shall, in accordance with its agreement with Sub-Clients, top up the sub-accounts for Sub-Clients or pay for the expense in the advertisement execution form to Party B, and issue invoices to Sub-Clients.

5.3 Refund

In case of any cash remaining in Party A's Service Provider Account, Party A may apply for a refund of the remaining cash in the Service Provider Account, subject to the following conditions:

(1) Party A has filled out relevant application documents, and shall return the invoice to Party B in the month in which the invoice is issued, and Party A has not conducted tax certification on the invoice.

(2) Party A does not have any outstanding issues, including but not limited to non-compliance penalties, liquidated damages, complaints or disputes.

- (3) The non-cash portion of the Service Provider Account (including but not limited to gifted virtual money, rebates and credits etc.) is non-refundable.
- (4) Party B will re-issue the invoice in accordance with Party A's actual consumption amount and refund the remaining cash within the following month after receiving the complete and valid invoice returned by Party A.
- (5) Party A shall properly keep the invoices by itself. Party A understands and agrees that if any invoice already issued by Party B cannot be returned (including but not limited to the following situations: Party A has already carried out tax certification of the invoice or the time to return the invoice is beyond the month of the invoicing date), Party A shall provide Party B with necessary information for issuing a negative invoice, such as filling in and uploading the Information Form for Issuing Value-added Tax Special Negative Invoices etc. before applying for a refund. If the invoice issued by Party B cannot be returned or the information necessary for issuing a negative invoice cannot be provided to Party B, the refund cannot be processed, and relevant consequences shall be borne by Party A.
- (6) For the refund that Party B has not yet issued an invoice or has issued an invoice but has not yet delivered to Party A, Party A does not need to provide related invoice information.

6. Rebate Policy

6.1 According to the needs of business development, Party B will independently formulate or adjust different rebate policies (including but not limited to categories, calculation rules, application rules, distribution rules, and forfeiture rules for rebate policy, etc.), which shall be subject to the latest notice from Party B and performed by the Parties. The new rebate policy shall be binding on Party A upon notification and Party A shall comply with it.

6.2 If Party A defers any payment or has any other violation of this Agreement, Party B has the right to suspend or terminate the implementation of the rebate policy or take penalty measures in accordance with the rebate policy; in case of any serious circumstance, Party B has the right to recover the rebates issued (if the rebates issued have already been consumed, Party B has the right to deduct the equivalent cash directly from the Service Provider Account of Party A, or request Party A to pay the equivalent cash within the designated period).

7. Confidentiality

7.1 Both Party A and Party B have provided or disclosed or will provide or disclose certain confidential information for the purposes of this Agreement. Confidential information refers to non-public information (including but not limited to handling plans for user complaints, handling plans for violations, and information of lawsuits), messages, data and material held by one of the Parties and related to its business, operations, technology and rights. The party that discloses the information is referred to as the "Disclosing Party" and the party that accepts the information is referred to as the "Receiving Party".

7.2 Except as otherwise provided in this Agreement, the Receiving Party shall not use or disclose to any third party any confidential information of the Disclosing Party for the purpose of its own business or for any other purpose without the prior written consent of the Disclosing Party. The Parties shall ensure that their employees perform the above obligation.

7.3 Confidential information does not include any of the following:

- (1) Information that has been known to the public at the time of disclosure;
- (2) Information that is known to the public after disclosure not due to reasons attributable to the Receiving Party;
- (3) Information that the Receiving Party does not undertake the obligation of confidentiality and legitimately obtain from a third party who has proper authority;
- (4) Information independently developed by the Receiving Party without reference to the Disclosing Party's confidential information;
- (5) Information that the Disclosing Party agrees further disclosure by the Receiving Party in writing, but only in the scope specified in the Disclosing Party's written consent.

7.4 The Receiving Party will not be liable for any disclosure under the provisions of this Article:

- (1) Either party needs to disclose information to its employees, affiliates and their employees or professional advisors for the purposes of this Agreement.
- (2) Any information about relevant subjects is required to provide to the Service Providers according to the product rules (including but not limited to online payment and other functions) of the services used by Party A and its Sub-Clients or the requirements of the laws and regulations related to the services.
- (3) Where the Receiving Party must disclose any confidential information in accordance with laws, regulations, and stipulations, directives, or requirements of judicial agencies, administrative agencies or stock exchanges, the Receiving Party shall promptly notify the Disclosing Party in writing under feasible and legally permitted conditions, and shall make reasonable efforts to assist the Disclosing Party in seeking remedy measures. If the Disclosing Party fails to obtain remedial measures, the Receiving Party shall use reasonable efforts to provide only the part of the confidential information that is required to be disclosed.

7.5 Notwithstanding the foregoing, Party A recognizes that Party B is a part of a group that incorporates multiple legal entities, and to achieve the goal of cooperation hereunder, Party B may need to disclose confidential information of Party A to its affiliates (defined below). Therefore, Party A hereby agrees:

- (1) Party B may disclose confidential information of Party A to its affiliate in the scope that such disclosure to the affiliate is necessary for realization of this Agreement.
- (2) Disclosure made by or to an affiliate of Party B shall be deemed as that made by or to Party B itself.
- (3) Party B may disclose confidential information of Party A to its subcontractor or partner in the scope that such disclosure to the subcontractor or partner is necessary for realization of this Agreement and on the precondition that such subcontractor or partner are under confidentiality obligations that are at least no less strict than those prescribed in this Agreement.

In this Agreement, an “affiliate” means any legal entity that directly or indirectly controls, is controlled by, or is commonly controlled with Party B. “Control”, including “controlled”, “commonly controlled” and other related terms means possession of the power to determine management team and policy trend of the controlled entity at present or in the future, directly or indirectly, through voting rights, contractual terms or other ways. And without limiting any of the foregoing, any entity that possesses or controls at least fifty percent (50%) of voting rights and/or proxy voting rights of issued securities with voting rights, or other forms of owners’ equity of the controlled entity shall be deemed to have the aforementioned control over the controlled entity.

7.6 The confidentiality obligation shall survive the rescission, termination or revocation of this Agreement.

8. Force Majeure and Exclusion of Liabilities

8.1 Either Party that cannot perform or cannot completely perform this Agreement due to force majeure does not need to bear the liability for breach of contract. However, the Party confronting a force majeure event shall notify the other party in writing immediately of the incident and shall present a valid certificate within 5 working days. The Parties shall negotiate whether to continue to implement this Agreement or terminate the Agreement in accordance with the impact of the incident on the performance of the Agreement.

8.2 In view of the special nature of the Internet, Party B’s exemptions include but are not limited to any of the following situations that affect the normal operation of the Tencent Platform:

- (1) Hacker attacks, intrusions or attacks of computer viruses.
- (2) The computer system is destroyed, crashed, or cannot be used normally, causing Party B to fail to perform the Agreement.
- (3) The impact of failure or adjustments of the basic operator or the competent department.
- (4) Temporary closures or service adjustments etc. caused by government regulations.
- (5) Results from promulgation, adjustment, and change of national laws and regulations or policies.
- (6) The circumstances arising from the reasons of Party A or Sub-Clients (including but not limited to operational errors and system failures etc.).
- (7) Other causes not caused by the fault of Party B.

9. Termination of the Agreement

9.1 This Agreement terminates in any of the following situations:

- (1) The Parties agree to terminate the Agreement.
- (2) Any Party is deregistered, bankrupt or dissolved.

- (3) The service period expires, and the Parties fail to renew the Agreement or either party terminates the Agreement.
- (4) The Agreement cannot be performed or is unnecessary to performed due to the influence of force majeure.
- (5) Other circumstances in which either party violates this Agreement and results in the termination of the Agreement.

9.2 After the termination of the Agreement, Party A shall immediately stop using Party B's brand and logo in any way, and shall no longer conduct business in the name of a Service Provider of Tencent Advertising Services.

9.3 Regardless of whether this Agreement is terminated or cancelled for any reason, Party A shall properly protect the legitimate rights and interests of Sub-Clients. Otherwise, Party B is entitled to continue to provide services to Sub-Clients in other ways depending on the circumstances. Other ways include but are not limited to direct management of Party B and re-designation of Service Providers for Sub-Clients.

9.4 Early termination of this Agreement does not affect the rights and obligations that have been generated by the Parties in accordance with this Agreement prior to the early termination date of this Agreement.

10. Governing Law and Dispute Resolution

10.1 The Agreement is signed in Nanshan, Shenzhen, Guangdong, the People's Republic of China.

10.2 The laws of the People's Republic of China, excluding the conflict of laws, shall apply to all issues concerning the conclusion, performance, alteration, termination and rescission of this Agreement.

10.3 If any controversy arises between the Parties with respect to this Agreement, it shall first be settled through friendly consultation. If the consultation fails, the Parties shall submit the controversy to the people's court that has jurisdiction over the place where the Agreement is signed.

11. Miscellaneous

11.1 This Agreement includes the text of the Agreement and all Tencent Platform Rules that have been published or may be released in the future. The above content is an integral part of this Agreement and has the same legal effect as the text of this Agreement. Party A shall comply with all the above when using Tencent Platform services.

11.2 The cooperation period between the Parties shall begin on January 1, 2019 and end on December 31, 2019. If neither party requests non-renewal of the Agreement before its expiration in written, the cooperation period between the Parties will be automatically renewed for 1 year on a recurring basis.

Each party shall have the right to notify the other party in writing 30 calendar days in advance to terminate this Agreement. the Parties shall settle the fees in accordance with the provisions of this Agreement and properly handle related matters (if any) such as user complaints, liquidated damages, compensation payments and refunds.

11.3 If the term of validity of this Agreement is inconsistent with the duration for Party A to use Tencent Advertising Services, the term of validity of this Agreement will automatically cover the entire period during which Party A uses Tencent Advertising Services. Unless otherwise agreed by the Parties or similar agreements are signed, this Agreement continues to be effective during the term that Party A uses Tencent Advertising Services.

11.4 If any term of this Agreement is deemed invalid or unenforceable, the remaining terms shall still have legal effect, except that the above terms shall be severed.

11.5 This Agreement is made in duplicate with each party holding one and shall be legally binding on the Parties after being sealed by the Parties.

(The remainder of this page is intentionally left blank.)

Party A: OptAim (Beijing) Information Technology Company Limited

(Company seal: /s/ OptAim (Beijing) Information Technology Company Limited)

Date: February 14, 2019

Party B: Beijing Tencent Culture Media Co., Ltd.

(Company seal: /s/ Beijing Tencent Culture Media Co., Ltd.)

Date: February 14, 2019

Agreement of Cooperation on Tencent Advertising Services between Service Provider and Tencent**Party A: OptAim (Beijing) Information Technology Company Limited****Party B: Beijing Tencent Culture Media Co., Ltd.**

Party A is an entity incorporated and operated according to law and wishes to apply to become a service provider of Tencent Advertising Service Platform legally operated by Party B and to promote Tencent Advertising services. Party B agrees to accept Party A's application. The Parties enter into the following agreement upon consensus through negotiation:

1. Definitions

Unless expressly agreed otherwise, the following terms shall have the following meanings in this Agreement:

1.1 Tencent Advertising Service Platform: refers to the advertising platform (including Guandongtong System, the advertising service system of WeChat Official Platform, and brand schedule advertising system, subject to those provided by Tencent Advertising Service Platform, referred to as "Tencent Platform") independently researched, developed and operated by Party B or its affiliates or partners which can provide traffic procurement and marketing promotion, fee statistics, data query, material management and other Tencent advertising services. Advertisers/service providers can display their advertising in different media through Guandongtong System, Tencent Alliance Advertising, advertisements in Moments, advertisements in WeChat Official Platform, Tencent Video Advertising, Tencent News Advertising, QQ.com Advertising and other channels of Tencent Platform according to Tencent Platform Rules. The services provided by Party B through the Tencent Advertising Service Platform are collectively referred to as "Tencent Advertising Services".

1.2 Service Provider: refers to the legal person or other organization that has the right to promote Tencent Advertising Services to advertisers according to law upon review and approval of Party B. The Service Provider will register corresponding Tencent platform account, referred to as the "Service Provider Account", according to the specific type of Tencent Advertising Service of its choice, or directly enter into a separate advertising execution form with Party B to apply for and implement the placement of advertising.

1.3 Advertiser: refers to the subject that advertises and promotes products and services to users through Tencent Advertising Service Platform, including sub-client advertiser and direct advertiser.

1.4 Sub-Client Advertiser: refers to the advertiser introduced by Service Providers who uses Tencent Advertising Services, referred to hereinafter as "Sub-Clients".

1.5 Traffic Owners: refer to the operators of websites, games, applications, software and other media (such as QQ, WeChat, Tencent Video, Tencent News and other apps, etc.) who provide related pages and locations for display of advertising, including but not limited to Party B's affiliates, Party B's partners and other subjects.

1.6 Media: refers to websites, games, applications, etc. that are operated by Traffic Owners and provide display pages and locations for advertising, including but not limited to Tencent, QQ, Qzone, WeChat, Tencent Video, Tencent News and other products operated by Party B or Party B's affiliates, as well as websites, games, applications, and other products operated by partners of Party B.

1.7 Advertising: refers to the information content that is designed and produced by Advertisers or that Advertisers entrust others to design and produce according to law, including but not limited to pictures, text, video and flash, etc. Advertising is used to promote the own brands of the Advertisers or the goods or services produced or sold by Advertisers. Advertising includes advertising materials and landing pages.

1.8 Landing Page: refers to the content to which the Advertising is directed, that is, the page that the user obtains after it clicks the Advertising.

1.9 Promotion Target: refers to products or services promoted directly or indirectly by Advertising, including but not limited to the WeChat Official Accounts and webpages that are directly targeted by the Landing Pages.

1.10 Advertising Expenses: refer to the costs of using Tencent Advertising Services. The payment methods include but are not limited to CPC (Cost per Click), CPT (Cost per Time) and CPM (Cost per Impression), which shall be subject to the specific rules of Tencent Platform.

1.11 Tencent Platform Rules: refer to relevant rules that the Service Providers and Advertisers need to observe when using the Tencent Platform, including but not limited to access rules, advertising review and approval standards, standards of non-compliance penalties, program trading management practices, rebate policies, management rules for Service Providers and the agreements, rules, norms, etc. related to Tencent Advertising that may be released in the future. Relevant content may be manifested in various forms such as website announcements, written documents, notices and FAQs. The Service Providers and Advertisers shall comply with them.

1.12 Management Rules for Service Providers: refer to the agreements and rules related to services, marketing, use of services and other activities of Service Providers, and the agreements, rules, and norms related to Service Providers that may be issued in the future, which are collectively referred to as "Management Rules for Service Providers". Relevant content may be manifested in various forms such as written documents, notices and FAQs. Service Providers shall comply with them.

1.13 Laws and Regulations: refer to relevant laws, regulations, departmental rules and industry norms of the People's Republic of China (including Hong Kong, Macao and Taiwan), the location of Service Providers/Advertisers, and the countries and regions where the Advertising is actually displayed.

2. Rules for Service

2.1 Party A shall promote the Tencent Advertising Services in a legal and proper way, including but not limited to complying with the following provisions:

- (1) Party A shall assign personnel responsible for Tencent Advertising Services, expand market through market events, advertisement and other positive and active means, and protect Party B's corporate and brand image, according to the principles of good faith and mutual benefit. Party A shall attract Sub-Clients by quality client service, and shall not commit unfair competition by means of low price or rebates etc.
- (2) Party A shall develop Sub-Clients as the Tencent Advertising Service Provider, and shall not do so in the name of Party B or its affiliate direct or indirectly, nor mislead the Sub-Clients to believe that Party B contact them on behalf of Party B or its affiliate, unless as otherwise agreed by the parties.
- (3) Party A shall not solicit Sub-Clients in any improper way, including but not limited to copying, counterfeiting or forging directly the official website of Tencent Advertising Service Platform (including but not limited to the advertising placement port system), and thus misleading any third party to believe that any website operated by Party A is the official website of Tencent Advertising Service or making any third party to confuse Party A's website or system with the official website or system of Tencent Advertising Service.
- (4) Party A shall not use technology or other means to damage or disrupt the operation of Tencent's platform or interfere with the use of Tencent's platform by others, nor produce and disseminate methods to achieve the aforementioned objectives, nor counterfeit, or use any counterfeited, Tencent platform products (including but not limited to counterfeiting Tencent Advertising Services) to misunderstand or confuse users.

2.2 Party A shall provide true, legal and valid supporting documents of Party A and any Advertiser in accordance with the Tencent Platform Rules (all documents must be affixed with the official seal or signed by relevant party), including but not limited to:

- (1) Business licenses and other identification documents, and other production and operating qualifications, etc.
- (2) Complete, legitimate and effective contact information such as email address, telephone number and domicile address, etc.
- (3) Other necessary certification documents, including but not limited to product quality inspection certificates, authorization documents, and advertisement review forms, etc.

If the above supporting documents change, Party A shall notify Party B in writing within 3 working days from the date of change, or shall make such change in accordance with Tencent Platform Rules.

2.3 Tencent Platform Rules may be unilaterally adjusted at any time in accordance with its operational arrangements or legal and regulatory requirements, including but not limited to formulation and adjustment of the types of access entities (e.g., natural persons and legal entities, etc.), design standards for Advertising, review rules for Advertising, industry access categories, qualification review scope, rebate policy, service provider management rules, and collection or exemption of certain amount or percentage of the security deposit for certain industries and circumstances, according to the operation strategy of Traffic Owners. Party A understands and agrees that:

(1) Party B has the right to inform Party A of Tencent Platform Rules through one or more of the ways including SMS, instant message (such as QQ and WeChat), e-mail, self-service system, on-site news and website announcements on its own or through Tencent Platform. Party A shall promptly review relevant content.

(2) Party A shall abide by the adjusted Tencent Platform Rules which take effect from the effective date specified in the notification. The adjustment of Tencent Platform Rules may cause changes in access standards and promotion standards. No party may require Party B to provide services on the grounds of the old standards.

(3) If Party A disagrees with the aforementioned adjustments of Tencent platform rules, Party A shall immediately stop using Tencent Advertising Services and notify Party B in writing of termination of this Agreement. If Party A continues to use Tencent Advertising Services in any way, Party A shall deem it as Party A's approval and acceptance of relevant Tencent Platform Rules.

(4) Where Party A no longer meets relevant requirements of Tencent platform rules after the above adjustment, Party A shall immediately contact Party B in writing and modify, change and supplement relevant supporting documents, or immediately stop using Tencent Advertising Services and notify in writing Party B to terminate this Agreement. Otherwise, Party B has the right to terminate provision of the Services immediately. All legal consequences arising therefrom shall be borne by Party A solely.

2.4 Tencent Platform may involve multiple kinds of platform services (such as Guangdiantong System, the advertising service system of WeChat Official Accounts, brand schedule advertising system). Party A has the right to select any specific kind of Tencent Platform advertising services based on its needs, and register any service provider account or enter into any advertising execution form according to the kind of service it selects, and comply with relevant service rules and agreements. Party A understands and agrees that:

(1) Party A shall carefully keep its service provider account and password. Party A has the right to authorize any third party to operate its service provider account according to the rules of Tencent Platform, provided that Party A shall always be fully responsible for any act and result under its account.

(2) The service provider account and Sub-Client management rules or the advertisement execution form requirements may vary with the Tencent Advertising Services. Party A shall establish relationship at Tencent Platform according to its selected kind of service and Sub-Clients, or shall sign the advertisement execution form marking expressly the information of Sub-Clients, to ensure that it is fully authorized to assist the Sub-Clients to use Tencent Advertising Service Platform, and shall procure the Sub-Clients to comply with corresponding rules of Tencent Platform.

(3) The Sub-Clients may manage their Tencent Platform accounts by themselves or entrusting any third parties (including but not limited to any service providers or agents of Tencent Advertising Service Platform). Tencent Platform may provide connecting channels for Party A and Sub-Clients. Party A shall establish, manage or cancel its relationship with Sub-Clients according to their agreement and the rules of Tencent Platform.

Party A shall ensure the Sub-Clients are aware of and agree to follow the rules of Tencent Platform, and the Sub-Clients are willing to use Tencent Advertising Services. Unless as otherwise agreed, Party B shall not may any undertaking on the volume of visits, sales, and playbacks after Party A and the Sub-Clients use Tencent Advertising Services.

Party A and the Sub-Clients shall negotiate all matters by themselves with respect to fee collection, promotion and placement, invoicing, refund of fee, and use of Tencent Advertising Services. However, Party A shall not make any agreement or undertaking relating to Party B in any form without written consent of Party B. Party A shall resolve any dispute with Sub-Clients by itself, without involving Party B.

Party A shall be independently responsible to verify whether the qualifications, Advertising, and Promotion Targets submitted by Sub-Clients comply with relevant laws and regulations and the requirements of this Agreement, and ensure that Sub-Clients has the right to place relevant advertisements.

2.5 Party A shall abide by relevant laws and regulations and ensure that Sub-Clients shall not implement the following activities or provide convenience for such activities, including but not limited to:

- (1) Objecting to the basic principles set by the Constitution.
- (2) Endangering national security, reveal state secrets, subvert state power, and undermine national unity.
- (3) Damaging national honors and interests.
- (4) Inciting ethnic hatred and ethnic discrimination, and undermine national unity.
- (5) Destroying national religious policy and promote cults and feudal superstitions.
- (6) Spreading rumors, disrupt social order and undermine social stability.
- (7) Disseminating obscenity, pornography, gambling, violence, homicide, terror, harassment, vulgarity or instigate others to commit any crime.
- (8) Insulting or slandering others or infringe the legal rights and interests of others.
- (9) Infringing other people's legal rights such as intellectual property rights and business secrets.
- (10) Fabricating facts or concealing the truth to mislead and deceive others.
- (11) Implementing illegal Internet activities such as gaming, gambling games, "private servers" and "plug-ins".
- (12) Other behaviors in violation of public order or good practices or prohibited by laws and regulations.

2.6 Where any service provider set up advertisement requirements at Tencent Advertising Service Platform or enters into advertisement execution form with Party B, Party A shall understand the media may be revised or upgraded where the Traffic Owner's business needs. In such case, Party A and Party B shall negotiate amicably to ensure the revision or upgrade will not affect display of advertisement. If there is any error or missing in display of advertisement, or if Party A's advertisement is not displayed timely due to any upgrade or change of advertising resources, Party B shall compensate Party A with the advertising resources of equivalent value to display the advertisement. Apart from that, Party B shall not assume any liability.

2.7 Tencent Advertising Service Platform may provide big data analysis capacity for service providers or advertisers. The data used by any service provider or advertiser shall be true data collected, acquired or generated legally in the ordinary course of business, and have been taken appropriate security measures (including but not limited to encryption methods). The service provider or advertiser should have legal title and right of disposal to such data, and has the right to use such data on Tencent Advertising Service Platform.

Party A is aware and undertakes that the title and intellectual property rights in the data, information or aggregate report generated from Party B's big data analysis service or other data generated from Party B's services shall be vest in Party B exclusively, and Party A may use the same only for purpose of this Agreement. Party A shall not disclose, divulge or provide to any third party any big data analysis or result provided by Party B. In addition, subject to relevant laws and regulations, Party A shall promptly share any way of handling privacy during the cooperation hereunder, and shall timely provide Party B with relevant information where any risk arises from the cooperation business mode hereunder or other major issues arises from any change of the mode.

2.8 Tencent Platform may provide service providers or advertisers with various advices, references and examples ("Advices") on content design, paperwork writing, display rules and selection of products based on its industry experience. The Advices are value-added services provided by Tencent Platform for service providers or advertisers, and are for reference only. Service providers or advertisers shall not use such Advices without judgment, and shall evaluate whether to make necessary adjustment based its own circumstances, to ensure their advertisement is legal and lawful. Tencent Platform makes no covenants or warranties on any use of the Advices by any service provider or advertiser. The service provider or advertiser shall assume any legal consequences arising from use of such Advices.

2.9 The Traffic Owner may set up difference advertisement display rules for difference media based on its operation arrangement, use experience or other considerations, such as entity access standards (e.g., natural person, legal person etc.), advertising design standards, advertising review rules, industry access category, qualification review scope, and screen the advertisement applying for display. Party A shall follow the rules of the media it chooses, and agree that the Traffic Owner has the right to screen the advertisement in advance.

2.10 Special provisions on embedded resources

(1) If any media resources involve the embedded resources of self-made drama of Tencent (including self-made film, television and cartoon), Party B shall be responsible to produce relevant embedded resources which shall represent corresponding interest of Party A and Sub-Clients (subject to written confirmation of the parties). Unless as otherwise stipulated, the prices for production and display of the embedded resources shall be included in the total amount of the advertisement execution form. Party B has the right to withdraw or replace the above embedded resources when the display period expires. Party A acknowledges and understands that if the display time of the self-made drama containing the embedded resources is changed or the self-made drama is unable to display, or other circumstance where the interest of Party A or Sub-Client cannot be achieved, due to any adjustment of display timing of any satellite TV or online media, or other factors not attributable to Party B or beyond Party B's control, Party B shall not be deemed in breach of this agreement, and is not required to compensate Party A or any Sub-Client or assume any other liability for breach of contract.

(2) The content of any embedded resources (including episodes, actors or duration) shall be determined by Party B. Party A may provide advice thereon.

(3) The intellectual property rights to the embedded resources shall vest in Party B. Party A or Sub-Clients shall not use such embedded resources in any other promotion or display channels in whatever form, or license or transfer such resources to any third person. Otherwise, Party A or Sub-Clients shall be liable for all losses incurred by Party B thereby.

(4) If the advertising display cooperation involving the embedded resources is suspended or early terminated (including but limited to withdrawal of advertisement, Party B's termination of contract for any breach), the production costs of the embedded resources (including but not limited to the costs for shooting, makeup and travel of the artists) shall be borne by Party A. Moreover, Party A shall be liable for all losses of Party B.

3. Party A's Rights and Obligations

3.1 Party A warrants that it is a legal entity who is duly established and operates according to laws and regulations, has obtained necessary operating qualifications, and has the right and power to execute and perform this agreement. Party A undertakes to follow the rules of Tencent Platform and use funds of lawful source to pay the advertisement costs.

3.2 Party A shall review the qualification, supporting documents, advertising content, and promotion object etc. of the Sub-Clients independently, and shall ensure that they meet the requirements of the *Advertising Law of the People's Republic of China* and other relevant laws and regulations as well as Tencent Platform Rules, including but not limited to the following:

(1) Sub-Clients have the qualification to operate the products and services they provide and to publish advertisements of such products and services.

(2) Advertising must not contain security threats, including but not limited to phishing websites, viruses, Trojans, and other malicious programs, or any content endangering the security of network or other's interest.

(3) Use of any right of others in Advertising including name, image (including cartoon image), logo or works or claim of having any cooperative relationship with others, shall be subject to the prior consent of the right holder.

(4) The brand, performance, quality, price, undertakings and other content related to Advertising shall be obvious, clear and consistent with the actual situation, including but not limited to the consistency of the content of promised gifts and rewards (including but not limited to game currency, virtual goods, real goods and discounts) with the actual situation and no false awards, prize-giving sales and gifts.

(5) Landing Pages content or Promotion Targets that Advertising aims at shall be legally established and have legal business qualifications. In addition, Sub-Clients must have legal rights for the Promotion Targets such as websites, and have the right to do marketing on them and use them.

(6) The advertisement and Promotion Targets shall not contain any content that violates laws and regulations, nor contain any malicious programs that may compromise network security such as hacking, password stealing, Trojans or viruses. For example, promotion websites/applications/public numbers etc. shall not involve in promotion or sale of counterfeit and shoddy products, illegal business activities, dissemination of infringement or pornographic information. In addition, the promoted applications/software or other products shall not result in infringement of the users' rights and interests, such as unclear deduction of charge items, unclear fee deduction reminders, malicious deduction of fees, and concealed setting of fee deduction procedures.

(7) Other circumstances provided by laws, regulations, rules or Tencent Platform Rules.

3.3 The content of Landing Pages shall be closely related to Advertising. In addition, the content of Landing Pages actually displayed shall be consistent with the content submitted for review, including but not limited to:

(1) Landing Pages shall be safe and stable and can be opened for browsing properly.

(2) No major change may be made to the content displayed on the landing page websites during the period of launch. For example, ordinary products that have been promoted shall not be changed to the products that shall be operated with special operating qualifications. If any change is required, Party B shall be notified in advance and the change shall be submitted to Party B for review.

(3) No directed jumps of Advertising may be made based on factors such as region, time, and IP to mismatch the links of Landing Pages and Advertising with those at the time of review.

(4) No act in violation of laws, regulations or provisions in this Agreement may be carried out through setting of malicious codes or viruses on the Landing Pages or any other way.

(5) Other violations of laws, regulations, or Tencent Platform Rules.

3.4 Party A shall use Tencent Platform in a legal and reasonable way, and shall not conduct any activities that endanger the security of the Tencent Platform or harm the rights and interests of the Platform, including but not limited to:

(1) Making any changes or attempt to change service system configuration of Tencent Platform or disrupt system security.

(2) Any action that destroys or attempts to destroy network security including but not limited to maliciously scanning of websites and servers, illegal invasion to systems and illegal acquisition by means of viruses, Trojans, malicious codes and phishing.

(3) Destructing or disrupting the operation of Tencent Platform or impede the use of Tencent Platform by others with the use of technology or by other means, or create and disseminate methods for implementing the aforementioned purposes.

(4) Counterfeiting or using counterfeit Tencent platform products (including but not limited to imitation of the forms of Tencent Advertising Services) to mislead or confuse users.

(5) Other actions that endanger the security of the Tencent Platform or harm the rights and interests of the Tencent Platform.

3.5 Party A shall independently resolve any controversy or dispute arising from Advertising and Promotion Targets etc. and entirely assume relevant liability. For example, Party A shall act in its own name to negotiate with third parties, respond to lawsuits or accept investigation of competent authorities etc., and shall bear all costs and compensation for losses etc.

Party A shall be responsible for any liability of any Sub-Client. If Party A or any Sub-Client violates this Agreement or Tencent Platform Rules and causes losses (including but not limited to the fees paid for handling user complaints, user claims, rights holder claims and administrative penalties etc., and confiscated Advertising Expenses etc.) to Party B, Party A shall make compensation and cooperate on the handling. Party A shall not refuse to undertake the obligations stipulated in this Agreement for the reason that Advertising is displayed for the Sub-Client, and by the Sub-Client through managing any account. If Party A suffers any loss due to any Sub-Client's violation of Tencent Platform Rules, it shall negotiate and resolve with the Sub-Client.

3.6 Based on the principles of creativity sharing and mutual benefit, Party A agrees to authorize Party B to display, introduce, evaluate and analyze the Advertising of Party A and its Sub-Clients in the form of information network dissemination and on-site training etc. through websites, on-site presentations, design tools, and product functions (including but not limited to introduction of advantages and disadvantages of any Advertising to others), for reference, learning, and selection by others.

4. Party B's Rights and Obligations

4.1 Party B shall provide technical support or information related to Tencent Advertising Services and shall be responsible for operation and maintenance of the Tencent platform system. In order to improve Tencent Advertising Services, Party B and its affiliates or partners have the right to continuously adjust Tencent Platform and its specific services. The adjustments of names, functions and domain names of Tencent Platform and its specific services will not affect the effectiveness of this Agreement.

Party B has the right to adjust or terminate some or all of the services at any time according to its unilateral operation arrangements, including but not limited to stopping or upgrading certain services, adjusting the functions of certain services or integrating certain services. Party A has the right to decide whether to continue to use relevant services according to its own needs.

4.2 Party B has the right to review the supporting documents and Advertising of Party A and Sub-Clients and decide whether to allow the presentation of Advertising according to Tencent Platform Rules. This review is pro forma. Party B does not make any warranty or covenant on the supporting documents or Advertising, nor represent any confirmation and guarantee on the authenticity and legitimacy of the Advertising. In addition, Party B's review and approval will not reduce Party A's liability of guarantee on the authenticity and legitimacy of Sub-Clients' business qualifications and Advertising. All the resulting responsibilities and consequences shall be borne by Party A.

4.3 In order to protect the interest of the parties, Party B has the right to formulate a special process for handling any infringement complaint, with which Party A and the Sub-Client shall comply. If Party A or any Sub-Client is investigated by the competent authority or is complained by a third party, or if Party A or any Sub-Client complains any third party, Party B has the right to submit the entity information, contact information, relevant content of the complaint and other necessary information of relevant parties (including but not limited to name, telephone number, certificates) to such authority or party, so as to resolve any dispute timely and protect the legitimate rights and interests of the parties. Party A and the Sub-Client shall cooperate.

If Party A or any Sub-Client is investigated by the competent authority or is complained by a third party, Party A shall handle the complaint properly within 3 natural days. Otherwise, Party B has the right to take corresponding measures according hereto, and to advance any payment to resolve the dispute and compensate loss in its sole discretion to protect the legitimate right and interest of the complainant. Party B has the right to deduct corresponding amount directly from the service provider account of Party A or the account of the breaching Sub-Client, or recover such amount otherwise from Party A.

4.4 When any Advertising is investigated by the competent authority or is complained by a third party (including but not limited to users and right holders, the same below), or if Party A or any Sub-Client violates the laws or regulations, Party B has the right to independently judge according to common sense and determine whether Party A has violated laws and regulations. If Party B judges and determines that Party A or any Sub-Client has violated laws and regulations or the terms of this Agreement (including but not limited to delay in payment), Party B has the right to unilaterally take one or more of the following measures against Party A:

- (1) Stopping presentation of allegedly illegal Advertising, whether or not the Advertising is already released.
- (2) Requiring Party A or the breaching Sub-Client to modify the Advertising until it meets relevant regulations or corrects the breach.
- (3) Removing all the Advertising submitted by Party A and the breaching Sub-Client, blocking the service provider account permanently or temporarily.
- (4) Restricting Party A and the breaching Sub-Client from using Tencent Advertising Services, and suspending the review of the content submitted by Party A.
- (5) Imposing a penalty on Party A, deduct the security deposit, or deduct the remaining amount in Party A's Service Provider Account or the sub-account of the breaching Sub-Client, or requesting Party A to pay cash of equivalent amount within a specified time limit. Relevant expenses may be used to compensate for user losses and to pay reasonable expenses, including but not limited to compensation to Party B or Traffic Owners or other entities for losses (such as administrative fines, claims of right holders, user compensation, and confiscated Advertising Expenses) caused by Party A or the breaching Sub-Client.
- (6) Suspending or terminating distribution of rebates and other special offers (whether or not they have already been generated) and recall offers such as rebates that have already been issued (if relevant rebates has been consumed, Party B has the right to deduct directly the equivalent cash from the Service Provider Account of Party A), or requesting Party A to pay cash of equivalent amount within a specified time limit.

(7) Deducting all remaining balance of the Party A's Service Provider Account or the sub-account of the breaching Sub-Client as liquidated damages without refund (if the remaining balance is insufficient to compensate Party B's losses, Party A shall make up for the insufficiency).

(8) Closing the account, terminating this Agreement, requiring Party A to assume the liability for breach of contract, etc. Meanwhile, Party B can prohibit Party A from using the Tencent Platform again.

(9) Other measures taken in accordance with Tencent Platform Rules.

Party A shall be responsible for all disputes and liabilities arising from Party B's adoption of measures against Party A and its Sub-Clients according to this agreement. In addition, Party A shall bear any resulting losses Party A, any Sub-Client or other entity suffers (including but not limited to clearing of relevant data, failure of any display plan, and Party B' owning of the remaining advance payment as liquidated damages). If Party B or others suffer losses thereby, Party A shall bear the liability for compensation independently.

4.5 To provide better quality services to the service providers and advertisers, and to enhance the level of Tencent Advertising Service, Party B has the right to sort and analyze any information generated from the use of Tencent Advertising Service by any service provider or advertiser (including but not limited to clicking rate), and use the result from such sorting or analysis for Tencent Advertising Service, including but not limited to providing continuous and better quality services to any later service providers or advertisers, conducting industry analysis or user research based on the information, or providing more appropriate advertisement to relevant users.

4.6 To protect security of the Tencent Platform accounts of service providers and advertisers, Party B has the right to freeze any account without operation during a certain period temporarily, and activate the accounts when Party A requires.

4.7 Party B has the right to transfer its rights and obligations hereunder to its affiliates in whole or in part based on its business needs, provided that it shall notify Party A 30 working days in advance.

4.8 Party B has the right to send information relating to Tencent Advertising Service, including but not limited to marketing events, discounts, new services, advertisement, to Party A by SMS, instant message (such as QQ and WeChat), e-mail, system announcements, and website messages.

4.9 The total compensation amount of Party B for any cooperation hereunder shall not exceed the total advertising cost corresponding to the breaching service. In addition, Party B shall not be liable for any loss arising from or relating to any cooperation hereunder.

5. Costs Settlement

5.1 Advertising Expenses

- (1) Advertising Expenses are calculated in renminbi. Advertising Services run under the prepayment way, except otherwise agreed by the Parties. Party A needs to keep adequate balance in the Service Provider Account and the sub-accounts of Sub-Clients and timely top up such accounts, or make advance payment of Advertising Expenses as prescribed in the advertisement execution form. Otherwise, advertisement services will be affected.
- (2) Data about the number of presentation times, click times and exposure times of advertising, the binding time and unbinding time of Service Providers and Sub-Clients, consumption data during the binding period and other data related to use of Tencent Advertising Services shall be subject to the back-end statistical data of Party B.
- (3) In the case of advertising launch in video CPM, the performance data result shall be subject to that of Party B, or that of any independent third-party advertising performance data monitor that is confirmed by Party A and passes Party B's technical certification. If the performance data result is subject to that of such third-party advertising performance data monitor, Party A shall provide Party B with the third-party performance monitoring data within the working day after each advertising presentation. Meanwhile, Party B has the right to request at any time during the period of launch that Party A provides the latest third-party performance monitoring data. Party A must provide Party B with the latest third-party performance monitoring data within 1 working day upon receipt of such request from Party B. If Party A doesn't provide such third-party performance monitoring data within the time agreed, the performance data for CPM advertising specified in this paragraph shall still be subject to data provided by Party B.

5.2 Invoices

- (1) After Party B receives any payment from Party A, Party B shall issue an invoice for Party A according to Party A's application. The invoice denomination is the total amount of cash paid by Party A to Party B.
- (2) An invoice cannot be issued repetitively. Party A shall take all consequences for any error in title or mailing address of an invoice caused by Party A's submission of wrong information.
- (3) After Party A's application is approved, Party B will issue an invoice in the next month after the approval. Once the relevant invoice is sent to Party A's mailing address, Party B will be deemed to have completed the invoicing obligation.
- (4) Party B only issues invoices to Party A, and Party B does not issue invoices to Party A's Sub-Clients or any other third party. Party A shall, in accordance with its agreement with Sub-Clients, top up the sub-accounts for Sub-Clients or pay for the expense in the advertisement execution form to Party B, and issue invoices to Sub-Clients.

5.3 Refund

In case of any cash remaining in Party A's Service Provider Account, Party A may apply for a refund of the remaining cash in the Service Provider Account, subject to the following conditions:

- (1) Party A has filled out relevant application documents, and shall return the invoice to Party B in the month in which the invoice is issued, and Party A has not conducted tax certification on the invoice.

- (2) Party A does not have any outstanding issues, including but not limited to non-compliance penalties, liquidated damages, complaints or disputes.
- (3) The non-cash portion of the Service Provider Account (including but not limited to gifted virtual money, rebates and credits etc.) is non-refundable.
- (4) Party B will re-issue the invoice in accordance with Party A's actual consumption amount and refund the remaining cash within the following month after receiving the complete and valid invoice returned by Party A.
- (5) Party A shall properly keep the invoices by itself. Party A understands and agrees that if any invoice already issued by Party B cannot be returned (including but not limited to the following situations: Party A has already carried out tax certification of the invoice or the time to return the invoice is beyond the month of the invoicing date), Party A shall provide Party B with necessary information for issuing a negative invoice, such as filling in and uploading the Information Form for Issuing Value-added Tax Special Negative Invoices etc. before applying for a refund. If the invoice issued by Party B cannot be returned or the information necessary for issuing a negative invoice cannot be provided to Party B, the refund cannot be processed, and relevant consequences shall be borne by Party A.
- (6) For the refund that Party B has not yet issued an invoice or has issued an invoice but has not yet delivered to Party A, Party A does not need to provide related invoice information.

6. Rebate Policy

6.1 According to the needs of business development, Party B will independently formulate or adjust different rebate policies (including but not limited to categories, calculation rules, application rules, distribution rules, and forfeiture rules for rebate policy, etc.), which shall be subject to the latest notice from Party B and performed by the Parties. The new rebate policy shall be binding on Party A upon notification and Party A shall comply with it.

6.2 If Party A defers any payment or has any other violation of this Agreement, Party B has the right to suspend or terminate the implementation of the rebate policy or take penalty measures in accordance with the rebate policy; in case of any serious circumstance, Party B has the right to recover the rebates issued (if the rebates issued have already been consumed, Party B has the right to deduct the equivalent cash directly from the Service Provider Account of Party A, or request Party A to pay the equivalent cash within the designated period).

7. Confidentiality

7.1 Both Party A and Party B have provided or disclosed or will provide or disclose certain confidential information for the purposes of this Agreement. Confidential information refers to non-public information (including but not limited to handling plans for user complaints, handling plans for violations, and information of lawsuits), messages, data and material held by one of the Parties and related to its business, operations, technology and rights. The party that discloses the information is referred to as the "Disclosing Party" and the party that accepts the information is referred to as the "Receiving Party".

7.2 Except as otherwise provided in this Agreement, the Receiving Party shall not use or disclose to any third party any confidential information of the Disclosing Party for the purpose of its own business or for any other purpose without the prior written consent of the Disclosing Party. The Parties shall ensure that their employees perform the above obligation.

7.3 Confidential information does not include any of the following:

- (1) Information that has been known to the public at the time of disclosure;
- (2) Information that is known to the public after disclosure not due to reasons attributable to the Receiving Party;
- (3) Information that the Receiving Party does not undertake the obligation of confidentiality and legitimately obtain from a third party who has proper authority;
- (4) Information independently developed by the Receiving Party without reference to the Disclosing Party's confidential information;
- (5) Information that the Disclosing Party agrees further disclosure by the Receiving Party in writing, but only in the scope specified in the Disclosing Party's written consent.

7.4 The Receiving Party will not be liable for any disclosure under the provisions of this Article:

- (1) Either party needs to disclose information to its employees, affiliates and their employees or professional advisors for the purposes of this Agreement.
- (2) Any information about relevant subjects is required to provide to the Service Providers according to the product rules (including but not limited to online payment and other functions) of the services used by Party A and its Sub-Clients or the requirements of the laws and regulations related to the services.
- (3) Where the Receiving Party must disclose any confidential information in accordance with laws, regulations, and stipulations, directives, or requirements of judicial agencies, administrative agencies or stock exchanges, the Receiving Party shall promptly notify the Disclosing Party in writing under feasible and legally permitted conditions, and shall make reasonable efforts to assist the Disclosing Party in seeking remedy measures. If the Disclosing Party fails to obtain remedial measures, the Receiving Party shall use reasonable efforts to provide only the part of the confidential information that is required to be disclosed.

7.5 Notwithstanding the foregoing, Party A recognizes that Party B is a part of a group that incorporates multiple legal entities, and to achieve the goal of cooperation hereunder, Party B may need to disclose confidential information of Party A to its affiliates (defined below). Therefore, Party A hereby agrees:

- (1) Party B may disclose confidential information of Party A to its affiliate in the scope that such disclosure to the affiliate is necessary for realization of this Agreement.
- (2) Disclosure made by or to affiliates of Party B shall be deemed as that made by or to Party B itself.
- (3) Party B may disclose confidential information of Party A to its subcontractor or partner in the scope that such disclosure to the subcontractor or partner is necessary for realization of this Agreement and on the precondition that such subcontractor or partner are under confidentiality obligations that are at least no less strict than those prescribed in this Agreement.

In this Agreement, an “affiliate” means any legal entity that directly or indirectly controls, is controlled by, or is commonly controlled with Party B. “Control”, including “controlled”, “commonly controlled” and other related terms means possession of the power to determine management team and policy trend of the controlled entity at present or in the future, directly or indirectly, through voting rights, contractual terms or other ways. And without limiting any of the foregoing, any entity that possesses or controls at least fifty percent (50%) of voting rights and/or proxy voting rights of issued securities with voting rights, or other forms of owners’ equity of the controlled entity shall be deemed to have the aforementioned control over the controlled entity.

7.6 The confidentiality obligation shall survive the rescission, termination or revocation of this Agreement.

8. Force Majeure and Exclusion of Liabilities

8.1 Either Party that cannot perform or cannot completely perform this Agreement due to force majeure does not need to bear the liability for breach of contract. However, the Party confronting a force majeure event shall notify the other party in writing immediately of the incident and shall present a valid certificate within 5 working days. The Parties shall negotiate whether to continue to implement this Agreement or terminate the Agreement in accordance with the impact of the incident on the performance of the Agreement.

8.2 In view of the special nature of the Internet, Party B’s exemptions include but are not limited to any of the following situations that affect the normal operation of the Tencent Platform:

- (1) Hacker attacks, intrusions or attacks of computer viruses.
- (2) The computer system is destroyed, crashed, or cannot be used normally, causing Party B to fail to perform the Agreement.
- (3) The impact of failure or adjustments of the basic operator or the competent department.
- (4) Temporary closures or service adjustments etc. caused by government regulations.
- (5) Results from promulgation, adjustment, and change of national laws and regulations or policies.
- (6) The circumstances arising from the reasons of Party A or Sub-Clients (including but not limited to operational errors and system failures etc.).
- (7) Other causes not caused by the fault of Party B.

9. Termination of the Agreement

9.1 This Agreement terminates in any of the following situations:

- (1) The Parties agree to terminate the Agreement.
- (2) Any Party is deregistered, bankrupt or dissolved.
- (3) The service period expires, and the Parties fail to renew the Agreement or either party terminates the Agreement.

- (4) The Agreement cannot be performed or is unnecessary to be performed due to the influence of force majeure.
- (5) Other circumstances in which either party violates this Agreement and results in the termination of the Agreement.

9.2 After the termination of the Agreement, Party A shall immediately stop using Party B's brand and logo in any way, and shall no longer conduct business in the name of a Service Provider of Tencent Advertising Services.

9.3 Regardless of whether this Agreement is terminated or cancelled for any reason, Party A shall properly protect the legitimate rights and interests of Sub-Clients. Otherwise, Party B is entitled to continue to provide services to Sub-Clients in other ways depending on the circumstances. Other ways include but are not limited to direct management of Party B and re-designation of Service Providers for Sub-Clients.

9.4 Early termination of this Agreement does not affect the rights and obligations that have been generated by the Parties in accordance with this Agreement prior to the early termination date of this Agreement.

10. Governing Law and Dispute Resolution

10.1 The Agreement is signed in Nanshan, Shenzhen, Guangdong, the People's Republic of China.

10.2 The laws of the People's Republic of China, excluding the conflict of laws, shall apply to all issues concerning the conclusion, performance, alteration, termination and rescission of this Agreement.

10.3 If any controversy arises between the Parties with respect to this Agreement, it shall first be settled through friendly consultation. If the consultation fails, the Parties shall submit the controversy to the people's court that has jurisdiction over the place where the Agreement is signed.

11. Miscellaneous

11.1 This Agreement includes the text of the Agreement and all Tencent Platform Rules that have been published or may be released in the future. The above content is an integral part of this Agreement and has the same legal effect as the text of this Agreement. Party A shall comply with all the above when using Tencent Platform services.

11.2 The cooperation period between the Parties shall begin on January 1, 2019 and end on December 31, 2019. If neither party requests non-renewal of the Agreement before its expiration in written, the cooperation period between the Parties will be automatically renewed for 1 year on a recurring basis.

Each party shall have the right to notify the other party in writing 30 calendar days in advance to terminate this Agreement. The Parties shall settle the fees in accordance with the provisions of this Agreement and properly handle related matters (if any) such as user complaints, liquidated damages, compensation payments and refunds.

11.3 If the term of validity of this Agreement is inconsistent with the duration for Party A to use Tencent Advertising Services, the term of validity of this Agreement will automatically cover the entire period during which Party A uses Tencent Advertising Services. Unless otherwise agreed by the Parties or similar agreements are signed, this Agreement continues to be effective during the term that Party A uses Tencent Advertising Services.

11.4 If any term of this Agreement is deemed invalid or unenforceable, the remaining terms shall still have legal effect, except that the above terms shall be severed.

11.5 This Agreement is made in duplicate with each party holding one and shall be legally binding on the Parties after being sealed by the Parties.

(The remainder of this page is intentionally left blank.)

Party A: OptAim (Beijing) Information Technology Company Limited

(Company seal: /s/ OptAim (Beijing) Information Technology Company Limited)

Date: February 19, 2019

Party B: Beijing Tencent Culture Media Co., Ltd.

(Company seal: /s/ Beijing Tencent Culture Media Co., Ltd.)

Date: February 19, 2019

CONVERTIBLE NOTE PURCHASE AGREEMENT

by and among

ICLICK INTERACTIVE ASIA GROUP LIMITED

and

LIM ASIA MULTI-STRATEGY FUND INC.

Dated as of September 10, 2018

TABLE OF CONTENTS

	<u>Page</u>	
ARTICLE I	DEFINITIONS AND INTERPRETATION	1
Section 1.1.	Definitions	1
Section 1.2.	Interpretation and Rules of Construction	3
ARTICLE II	PURCHASE AND SALE OF THE NOTE	4
Section 2.1.	Sale and Issuance of Note	4
Section 2.2.	Closing	4
ARTICLE III	REPRESENTATIONS AND WARRANTIES	5
Section 3.1.	Representations and Warranties of the Company	5
Section 3.2.	Representations and Warranties of the Purchaser	7
ARTICLE IV	MISCELLANEOUS	10
Section 4.1.	No Third Party Beneficiaries	10
Section 4.2.	Governing Law; Submission to Arbitration	10
Section 4.3.	Counterparts	10
Section 4.4.	Notices	10
Section 4.5.	Fees and Expenses	11
Section 4.6.	Entire Agreement	11
Section 4.7.	Amendment	11
Section 4.8.	Waiver and Extension	11
Section 4.9.	Severability	12
Section 4.10.	Restriction on Sale of ADSs and Ordinary Shares	12
Section 4.11.	Public Disclosure	13
Section 4.12.	Further Assurances	13
EXHIBIT A	FORM OF CONVERTIBLE NOTE	
EXHIBIT B	FORM OF LOCK-UP LETTER	

THIS CONVERTIBLE NOTE PURCHASE AGREEMENT (this "Agreement") is made this 10th day of September, 2018, by and among:

- (1) ICLICK INTERACTIVE ASIA GROUP LIMITED, a Cayman Islands company (the "Company"); and
- (2) LIM ASIA MULTI-STRATEGY FUND INC., a British Virgin Islands entity (the "Purchaser")

WITNESSETH:

WHEREAS, the Company desires to issue, sell and deliver to the Purchaser, and the Purchaser desires to purchase from the Company, the Note (as defined below) pursuant to the terms and subject to the conditions of this Agreement;

WHEREAS, the Company and the Purchaser desire to enter into this Agreement on the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. As used herein, the following terms shall have the meanings set forth below:

"ADS" means an American depository share of the Company, two of which represent one Ordinary Share of the Company as of the date hereof.

"Affiliate" means, with respect to any specified Person, any Person that controls, is controlled by, or is under common control with such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with"), when used with respect to any specified Person, means the possession, directly or indirectly, individually or together with any other Person, of the power to direct or to cause the direction of the management and policies of a Person, whether through ownership of voting securities or other interests, by contract or otherwise.

"Agreement" shall have the meaning ascribed to this term in the preamble to this Agreement.

"Arbitrator" shall have the meaning ascribed to this term in Section 4.2.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banking institutions in the State of New York or Hong Kong are required by Law to be closed.

"Closing" shall have the meaning ascribed to this term in Section 2.2(a).

“Company” has the meaning ascribed thereto in the preamble hereto.

“Controlling Shareholders” means Wing Hong Sammy Hsieh and Jian Tang.

“Governmental Authority” means any federal, national, supranational, state, provincial, local, municipal or other government, any governmental, quasi-governmental, supranational, regulatory or administrative authority (including any governmental division, department, agency, commission, instrumentality, organization, unit or body, political subdivision, and any court or other tribunal) or any self-regulatory organization (including NASDAQ) with competent jurisdiction.

“Governmental Order” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“HKIAC” shall have the meaning ascribed to this term in Section 4.2.

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“Law” means any statute, law, ordinance, regulation, rule, code, order, judgment, writ, injunction, decree or requirement of law (including common law) enacted, issued, promulgated, enforced or entered by a Governmental Authority.

“Lien” means, with respect to any property or asset, any mortgage, pledge, claim, security interest, easement, covenant, restriction, reservation, defect in title, encroachment or other encumbrance, lien (choate or inchoate), charge, equity, or other restriction or limitation, whether arising by contract or under Law.

“Lock-up Letters” means the lock-up letters executed by each of the Controlling Shareholders, each substantially in the form attached hereto as Exhibit B.

“Lock-up Period” shall have the meaning ascribed to this term in Section 4.10.

“Lock-up Securities” shall have the meaning ascribed to this term in Section 4.10.

“NASDAQ” means the NASDAQ Global Market.

“Note” means the convertible note issued to the Purchaser pursuant to Section 2.1 below, the form of which is attached hereto as Exhibit A.

“Ordinary Shares” means the class A ordinary shares of the Company, par value US\$0.001 per ordinary share.

“Person” means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a Governmental Authority.

“Purchase Price” shall have the meaning ascribed to this term in Section 2.1.

“Purchaser” shall have the meaning ascribed to this term in the preamble to this Agreement.

“Purchaser Representative” means CLSA Limited.

“Subsidiary” means, as of the relevant date of determination, with respect to any Person (the “subject entity”), (i) any Person (x) more than 50% of whose shares or other interests entitled to vote in the election of directors or (y) in respect of whom an interest in more than fifty percent (50%) of the profits or capital of such Person, is or are owned or controlled directly or indirectly by the subject entity or through one (1) or more other Subsidiaries of the subject entity, (ii) any Person, including for the avoidance of doubt any “variable interest entity,” whose financial statements, or portions thereof, are or are intended to be consolidated with the financial statements of the subject entity for financial reporting purposes in accordance with U.S. GAAP or (iii) any Person with respect to which the subject entity has the sole power to control or otherwise direct the business and policies of that entity directly or indirectly through another subsidiary or otherwise.

“Tax” means any tax, governmental fee or other like assessment or charge of any kind whatsoever (including, but not limited to any income, capital gains, value-added, sales, service, excise, withholding, transfer, stamp or other taxes or similar charges), together with any interest, penalty, additional tax or additional amount imposed by any Taxing Authority.

“Transaction Documents” means this Agreement and the Note issued pursuant to the terms and conditions of this Agreement.

“U.S. GAAP” means the accounting principles generally accepted in the United States of America.

Section 1.2. Interpretation and Rules of Construction. In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(a) The words “party” and “parties” shall be construed to mean a party or the parties to this Agreement, and any reference to a party to this Agreement or any other agreement or document contemplated hereby shall include such party’s successors and permitted assigns.

(b) When a reference is made in this Agreement to a Section or clause, such reference is to a Section or clause of this Agreement.

(c) The headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement.

(d) Whenever the words “include,” “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation.”

(e) The words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement.

(f) All terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein.

- (g) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.
- (h) The use of “or” is not intended to be exclusive unless expressly indicated otherwise.
- (i) The term “US\$” means United States Dollars.
- (j) The term “days” shall refer to calendar days.
- (k) A reference to any legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued pursuant to or related to such legislation.
- (l) References herein to any gender include the other gender.
- (m) The parties hereto have each participated in the negotiation and drafting of this Agreement and if any ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or burdening either party by virtue of the authorship of any of the provisions in this Agreement or any interim drafts thereof.

ARTICLE II

PURCHASE AND SALE OF THE NOTE

Section 2.1. Sale and Issuance of Note. Subject to the terms and conditions of this Agreement, at the Closing, the Purchaser agrees to purchase and the Company agrees to sell and issue to the Purchaser, a Note in the principal amount of US\$30,000,000 at the issue price of US\$30,000,000 (the “Purchase Price”).

Section 2.2. Closing.

- (a) The consummation of the transactions described in Section 2.1 (the “Closing”) shall occur on or before September 12, 2018, or such other time as the parties hereto shall mutually agree in writing.
- (b) At the Closing, the Company shall deliver to the Purchaser (i) the Note dated the date of the Closing and registered in the name of the Purchaser, and (ii) the Lock-up Letters, against payment by the Purchaser to the Company or to its order of the Purchase Price by wire transfer of immediately available funds to the account designated by the Company on the date of Closing, such payment to be evidenced by delivery by the Purchaser to the Company of a copy of the irrevocable wiring instructions or other evidence reasonably satisfactory to the Company.
- (c) The Closing shall take place at the offices of Cleary Gottlieb Steen & Hamilton (Hong Kong), 37th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong, or at such other place as the parties hereto shall mutually agree in writing.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1. Representations and Warranties of the Company. In connection with the transactions provided for herein, the Company hereby represents and warrants to the Purchaser that:

(a) Organization, Good Standing and Qualification. The Company is duly incorporated, validly existing and in good standing under the Laws of the Cayman Islands and each of the Company's Subsidiaries is duly incorporated or organized, validly existing and in good standing (where such concept is applicable) under the Law of the jurisdiction of its incorporation or organization. The Company and each of its Subsidiaries has the requisite corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure so to qualify or to be in good standing would not result in any material adverse effect on the operations, financial position or condition of the Company and its Subsidiaries, taken as a whole, or adversely affect the ability of the Company to carry out its obligations hereunder and to consummate the transactions contemplated hereunder.

(b) Authorization. The execution, delivery and performance of each of the Transaction Documents by the Company has been duly authorized by all necessary corporate action on the part of the Company. Each of the Transaction Documents has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by applicable bankruptcy, insolvency and similar Law affecting creditors' rights and remedies generally. Without limiting the generality of the foregoing, no approval by the shareholders of the Company is required in connection with the Transaction Documents, the performance by the Company of its obligations hereunder or thereunder, or the consummation by the Company of the transactions contemplated hereby or thereby.

(c) Valid Issuance of the Note. The Note has been duly and validly authorized for issuance and sale to the Purchaser by the Company, and when issued and delivered by the Company against payment therefor by the Purchaser in accordance with the terms of this Agreement, the Note will be a legal, valid and binding obligation of the Company, and enforceable against the Company in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of Law or a court of equity, and by applicable bankruptcy, insolvency and similar Law affecting creditors' rights and remedies generally.

(d) ADSs. The ADSs issued upon any conversion of the Note, when issued and delivered in the manner contemplated by the Note:

(i) will have been duly authorized and validly issued and shall be fully paid and nonassessable, and shall be free from preemptive rights and free of any Lien or adverse claim;

(ii) will rank pari passu and carry the same rights and privileges in all respects as any other ADSs issued by the Company and shall be entitled to all dividends and other distributions declared, paid or made thereon;

(iii) will not be subject to calls for further funds;

(iv) will not constitute “restricted securities” within the meaning of Rule 144 under the Securities Act; and

(v) will be duly listed, and admitted to trading, on the NASDAQ.

in the case of clause (iv) above, assuming the truth and accuracy of the representations of the Purchaser in the second sentence of Section 3.2(g).

(e) No Violation. The execution, delivery and performance by the Company of the Transaction Documents, the issuance and delivery of the ADSs upon conversion of the Notes, the carrying out of the other transactions contemplated by the Transaction Documents and the compliance by the Company with the terms and conditions of the Note do not and will not (i) violate, conflict with or result in the breach of any provision of the memorandum and articles of association (or similar organizational documents) of the Company or any of its Subsidiaries, (ii) subject to the truth and accuracy of the representations and warranties of the Purchaser in the second sentence of Section 3.2(g), conflict with or violate any Law or Governmental Order applicable to the Company or any of its Subsidiaries or any of the assets, properties or businesses of the Company or any of its Subsidiaries, (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which the Company or any of its Subsidiaries is a party or result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries, or (iv) infringe the rules and regulations of any stock exchange on which the securities of the Company are listed, other than, in the case of clauses (ii) and (iii) above, any such conflict, violation, default, termination, amendment, acceleration, suspension, revocation or cancellation that would not result in any material adverse effect on the operations, financial position or condition of the Company and its Subsidiaries, taken as a whole, or adversely affect the ability of the Company to carry out its obligations hereunder and to consummate the transactions contemplated hereunder.

(f) Governmental Consents and Approvals. Subject to the truth and accuracy of the representations and warranties of the Purchaser in the second sentence of Section 3.2 (g), the execution, delivery and performance by the Company of the Transaction Documents do not and will not require any consent, approval, authorization or other order of, action by, filing with, or notification to, any Governmental Authority.

(g) Offering.

(i) Subject to the truth and accuracy of the representations and warranties of the Purchaser in the second sentence of Section 3.2 (g), the offer, sale and issuance of the Notes are exempt from the registration requirements of the Securities Act and none of the Notes is required to be qualified under the Trust Indenture Act of 1939.

(ii) None of the Company, its Subsidiaries or their respective Affiliates or any person acting on its or their behalf have engaged in any “directed selling efforts” within the meaning of Rule 903 of Regulation S under the Securities Act or any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act with respect to the Notes.

(h) Investment Company. The Company is not, and after giving effect to the issuance and sale of the Notes and the application of the proceeds therefrom will not be, an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

(i) Ordinary Shares. The Ordinary Shares represented by the ADSs issuable upon the conversion of the Notes pursuant to the terms of the Notes will be: (i) duly authorized and validly issued and will be fully paid and nonassessable, and will be free from preemptive rights and free of any Lien or adverse claim; (ii) will rank pari passu and carry the same rights and privileges in all respects as any other Ordinary Shares issued by the Company and shall be entitled to all dividends and other distributions declared, paid or made thereon; and (iii) will not constitute “restricted securities” within the meaning of Rule 144 under the Securities Act, provided the holder at the time of the issuance of the Ordinary Shares is not an “affiliate” of the Company as such term is defined in Rule 405 under the Securities Act.

(j) No Additional Representations. The Company acknowledges that the Purchaser makes no representations or warranties as to any matter whatsoever except as expressly set forth in this Agreement.

Section 3.2. Representations and Warranties of the Purchaser. In connection with the transactions provided for herein, the Purchaser hereby represents and warrants to the Company that:

(a) Existence and Power. The Purchaser is duly incorporated, validly existing and in good standing under the Law of its jurisdiction of organization.

(b) Authorization. The execution, delivery and performance of the Transaction Documents by the Purchaser have been duly authorized by all necessary corporate action on its part. This Agreement has been duly executed and delivered by the Purchaser and, assuming due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by applicable bankruptcy, insolvency and similar Law affecting creditors’ rights and remedies generally. Without limiting the generality of the foregoing, no approval by its shareholders is required in connection with this Agreement, the performance by it of its obligations hereunder, or the consummation by the Purchaser of the transactions contemplated hereby.

(c) Purchase Entirely for Own Account. The Purchaser is acquiring the Note for investment for its own account and not with a view to the distribution thereof in violation of the Securities Act. The Purchaser acknowledges that it can bear the economic risk of its investment in the Note, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Note.

(d) No Violation. The execution, delivery and performance by the Purchaser of this Agreement does not and will not (i) violate, conflict with or result in the breach of any provision of its memorandum and articles of association (or similar organizational documents), (ii) subject to the truth and accuracy of the representations and warranties of the Company in Section 3.1(g), conflict with or violate any Law or Governmental Order applicable to it or any of its assets, properties or businesses or (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which it is a party or result in the creation of any Liens upon any of its properties or assets, other than, in the case of clauses (ii) and (iii) above, any such conflict, violation, default, termination, amendment, acceleration, suspension, revocation or cancellation that would not result in any material adverse effect on the operations, financial position or condition of the Purchaser and its Subsidiaries, taken as a whole, or adversely affect the ability of the Purchaser to carry out its obligations hereunder and to consummate the transactions contemplated hereunder.

(e) Governmental Consents and Approvals. The execution, delivery and performance by the Purchaser of this Agreement do not and will not require any consent, approval, authorization or other order of, action by, filing with, or notification to, any Governmental Authority.

(f) Legend. The Purchaser understands that the certificate representing the Note will bear a legend to the following effect:

“THIS NOTE AND THE SECURITIES REPRESENTED HEREBY WERE ISSUED IN AN OFFSHORE TRANSACTION TO PERSONS WHO WERE NOT U.S. PERSONS AND WERE NOT PURCHASING FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS PURSUANT TO REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). ACCORDINGLY, THIS NOTE AND THE SECURITIES REPRESENTED HEREBY (INCLUDING AMERICAN DEPOSITARY SHARES OR ORDINARY SHARES ISSUABLE UPON CONVERSION HEREOF) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR UNDER ANY OTHER SECURITIES LAWS. THIS NOTE AND THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS. PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THIS SECURITY AND THE CLOSING DATE (THE “DISTRIBUTION COMPLIANCE PERIOD”), THE NOTE AND THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT

- (1) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;
- (2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE SECURITIES ACT;
- (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THE NOTE OR SECURITIES REPRESENTED HEREBY; OR
- (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH HOLDER, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS THAT (A) IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS AND (B) IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.”

(g) Private Placement. The Purchaser understands that (i) the Note has not been registered under the Securities Act or any state securities Laws, by reason of its issuance by the Company in a transaction exempt from the registration requirements thereof and (ii) the Note may not be sold unless such disposition is registered under the Securities Act and applicable state securities Laws or is exempt from registration thereunder. The Purchaser represents that (i) it is not a U.S. person and is located outside of the United States, as such terms are defined in Rule 902 of Regulation S under the Securities Act and (ii) it is not an “affiliate” of the Company as such term is defined in Rule 405 under the Securities Act.

(h) No Additional Representations. The Purchaser acknowledges that the Company makes no representations or warranties as to any matter whatsoever except as expressly set forth in the Transaction Documents.

ARTICLE IV

MISCELLANEOUS

Section 4.1. No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, except as expressly provided in this Agreement.

Section 4.2. Governing Law; Submission to Arbitration.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

(b) Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre ("HKIAC") under the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted. The seat of arbitration shall be Hong Kong. The official language of the arbitration shall be English and the arbitration tribunal shall consist of three (3) arbitrators (each, an "Arbitrator"). The claimant shall nominate one (1) Arbitrator; the respondent shall nominate one (1) Arbitrator; and a third Arbitrator will be nominated jointly by the first two Arbitrators and shall serve as chairman of the arbitration tribunal.

(c) Any party may seek interim injunctive relief, provisional rulings or other interim relief from a court of competent jurisdiction, both before and after the Arbitrators have been appointed, at any time up until the arbitrators have made their final award.

(d) The award rendered by the arbitral tribunal shall be final and binding on the parties. Judgment on the award may be entered in any court of competent jurisdiction.

Section 4.3. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 4.4. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed duly given, made or received (i) on the date of delivery if delivered in person, (ii) on the date of confirmation of receipt of transmission by facsimile or other form of electronic delivery (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party) or (iii) three (3) Business Days after deposit with an internationally recognized express courier service to the respective parties hereto at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 4.4):

If to the Company, to:

ICLICK INTERACTIVE ASIA GROUP LIMITED

Address: ***

Attention: ***

Facsimile: ***

Email: ***

If to the Purchaser, to:

LIM ASIA MULTI-STRATEGY FUND INC.

c/o LIM Advisors Limited

Address: ***

Attention: ***

Facsimile: ***

Email: ***

Section 4.5. Fees and Expenses. Each party hereto shall pay all of its own fees and expenses (including attorneys' fees) incurred in connection with this Agreement and the transactions contemplated hereby, provided that the Company shall pay any and all (a) documentary, stamp or similar issue or transfer Tax due on (i) the issue of the Note at Closing and (ii) the issue of ADSs upon conversion of the Note and (b) fees and expenses of the listing of the ADSs issued upon conversion of the Note on the NASDAQ (or the principal U.S. national or regional securities exchange on which the ADSs are traded at the time of such conversion).

Section 4.6. Entire Agreement. The Transaction Documents and the other documents delivered pursuant hereto constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior agreements and understandings, both oral and written, between the parties and/or their Subsidiaries and Affiliates with respect to the subject matter of this Agreement.

Section 4.7. Amendment. Any provision of this Agreement may be amended if, but only if, such amendment is in writing and is duly executed and delivered by or on behalf of each of the parties hereto.

Section 4.8. Waiver and Extension. Any party to this Agreement may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto or (c) waive compliance with any of the agreements of the other party or conditions to such party's obligations contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. No waiver of any representation, warranty, agreement, condition or obligation granted pursuant to this Section 4.8 or otherwise in accordance with this Agreement shall be construed as a waiver of any prior or subsequent breach of such representation, warranty, agreement, condition or obligation or any other representation, warranty, agreement, condition or obligation and no waiver of any condition granted pursuant to this Section 4.8 or otherwise in accordance with this Agreement shall be construed as a waiver of any representation, warranty, agreement or covenant to which such condition relates. The failure of any party hereto to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

Section 4.9. Severability. If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced under any applicable Law or any Governmental Order, such term or other provision shall be excluded from this Agreement and all other terms and provisions of this Agreement shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to either party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Company and the Purchaser shall negotiate together in good faith to modify this Agreement so as to effect the original intent of both the Company and the Purchaser as closely as possible in an acceptable manner in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the greatest extent possible.

Section 4.10. Restriction on Sale of ADSs and Ordinary Shares. For the period of ninety (90) days after the Closing Date (the “Lock-up Period”), the Company will not, and shall procure that its Controlling Shareholders will not, without the prior written consent of the Purchaser Representative, (i) directly or indirectly, offer, sell, pledge, contract to sell, announce the intention to sell, issue, lend, grant or purchase any option, right or warrant for the sale of, or otherwise dispose of or transfer, any ADSs, Ordinary Shares underlying the ADSs or any securities convertible into or exercisable or exchangeable for ADSs or Ordinary Shares (the “Lock-up Securities”), (ii) file or publicly disclose its intention to file any registration statement under the Securities Act with respect to any of the foregoing, or (iii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-up Securities, whether any such swap or transaction described in clause (i), (ii) or (iii) above is to be settled by delivery of the Lock-up Securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the issuance of share options pursuant to the Company’s stock option plan adopted in 2010, the Company’s share incentive plan adopted in 2017 or other employee incentive plan to be adopted by the Company in the future, or (B) the issuance of the Ordinary Shares and ADSs upon the exercise of share options issued by the Company pursuant to the Company’s stock option plan adopted in 2010, the Company’s share incentive plan adopted in 2017 or other employee incentive plan to be adopted by the Company in the future.

Section 4.11. Public Disclosure. Without limiting any other provision of this Agreement, the Purchaser and the Company shall consult with the other and issue a press release (to be furnished by the Company to the SEC on Form 6-K) with respect to the execution of the Transaction Documents and the transactions contemplated thereby. Thereafter, neither the Company nor the Purchaser, nor any of their respective Subsidiaries, shall issue any press release or other public announcement or communication (to the extent not previously publicly disclosed or made in accordance with this Agreement) with respect to the transactions contemplated hereby or thereby without the prior written consent of the other party (such consent not to be unreasonably withheld, conditioned or delayed), except to the extent a party's counsel deems such disclosure necessary in order to comply with any Law or the regulations or policies of any securities exchange or other similar regulatory body (in which case the disclosing party shall give the other parties notice as promptly as is reasonably practicable of any required disclosure to the extent permitted by applicable Law), shall limit such disclosure to the information such counsel advises is required to comply with such Law or regulations, and if reasonably practicable, shall consult with the other party regarding such disclosure and give good faith consideration to any suggested changes to such disclosure from the other party. Notwithstanding anything to the contrary in this Section 4.11, the Purchaser and the Company may make public statements in response to specific questions by the press, analysts, investors or those attending industry conferences or financial analyst conference calls, so long as any such statements are not materially inconsistent with previous press releases, public disclosures or public statements made by the Company or the Purchaser and do not reveal material, non-public information regarding the other parties or the transactions contemplated by this Agreement.

Section 4.12. Further Assurances. From time to time, each party hereto shall execute and deliver to the other party hereto such additional documents and shall provide such additional information to such other party as such other party may reasonably require to carry out the terms of the Transaction Documents and the transactions contemplated within them.

[The rest of this page has deliberately been left blank]

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement as of the date first above written.

ICLICK INTERACTIVE ASIA GROUP LIMITED

By: /s/ Wing Hong Sammy Hsieh

Name: Wing Hong Sammy Hsieh

Capacity: CEO & Chairman

[Signature Page to Convertible Note Purchase Agreement]

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement as of the date first above written.

LIM ASIA MULTI-STRATEGY FUND INC.

By: /s/ ***

Name: ***

Capacity: Director

[Signature Page to Convertible Note Purchase Agreement]

EXHIBIT A

FORM OF CONVERTIBLE NOTE

THIS NOTE AND THE SECURITIES REPRESENTED HEREBY WERE ISSUED IN AN OFFSHORE TRANSACTION TO PERSONS WHO WERE NOT U.S. PERSONS AND WERE NOT PURCHASING FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS PURSUANT TO REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). ACCORDINGLY, THIS NOTE AND THE SECURITIES REPRESENTED HEREBY (INCLUDING AMERICAN DEPOSITARY SHARES OR ORDINARY SHARES ISSUABLE UPON CONVERSION HEREOF) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR UNDER ANY OTHER SECURITIES LAWS. THIS NOTE AND THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS. PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THIS SECURITY AND THE CLOSING DATE (THE “DISTRIBUTION COMPLIANCE PERIOD”), THIS NOTE AND THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT

- (1) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;
- (2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE SECURITIES ACT;
- (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS NOTE OR SECURITIES REPRESENTED HEREBY; OR
- (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH HOLDER, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS THAT (A) IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS AND (B) IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

Subject to the terms and conditions of this Mandatory Convertible Note due 2023 (the “**Note**”), for good and valuable consideration received, iClick Interactive Asia Group Limited, a Cayman Islands company (the “**Company**”), promises to pay to the order of LIM Asia Multi-Strategy Fund Inc., a British Virgin Islands entity (such party and any permitted transferee, in whole or in part, a “**Holder**”), the principal amount of **US\$30,000,000**, unless the outstanding principal is settled in accordance with Article 3 of this Note, on September 12, 2023 (the “**Maturity Date**”), or such earlier or later date as may be otherwise provided herein.

This Note is issued pursuant to, and in accordance with, the Convertible Note Purchase Agreement, dated September 10, 2018 (the “**Purchase Agreement**”), by and among the Company and the Holder, and is subject to the provisions thereof. Capitalized terms used and not defined herein will have the meaning set forth in the Purchase Agreement.

The following is a statement of the rights of the Holder of this Note and the terms and conditions to which this Note is subject, and to which the Holder hereof, by the acceptance of this Note, agrees:

ARTICLE 1

DEFINITIONS

“ADS Ratio” will have the meaning ascribed to such term in Section 4.1.

“ADSs” means American Depositary Shares, two of which represent one Ordinary Share of the Company as of the date of this Note.

“Affiliate” means, with respect to any specified Person, any Person that controls, is controlled by, or is under common control with such Person. For purposes of this definition, the term “control” (including the terms “controlling,” “controlled by” and “under common control with”), when used with respect to any specified Person, means the possession, directly or indirectly, individually or together with any other Person, of the power to direct or to cause the direction of the management and policies of a Person, whether through ownership of voting securities or other interests, by contract or otherwise.

“Arbitrator” will have the meaning ascribed to such term in Section 11.4(b).

“Business Day” means New York City time on any day that is not a Saturday, a Sunday or other day on which banking institutions in the State of New York or Hong Kong are required by Law to be closed.

“Book Closure Period” will have the meaning ascribed to such term in Section 3.4.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including all common stock and preferred stock, but excluding debt securities convertible into such equity.

“Cash Alternative Amount” will have the meaning ascribed to such term in Section 3.7(i).

“Cash Alternative Election” will have the meaning ascribed to such term in Section 3.7(i).

“Cash Alternative Election Notice” will have the meaning ascribed to such term in Section 3.7(i).

“Cash Settlement Amount” will have the meaning ascribed to such term in Section 3.9.

“Change of Control” means the occurrence of one or more of the following events:

- (i) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the direct or indirect sale, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries to another Person (other than one or more Permitted Holders);
- (ii) the Permitted Holders are the “beneficial owners” (as such term is used in Rule 13d-3 of the Exchange Act) of less than 40% of the total voting power of the voting stock of the Company;
- (iii) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the voting stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (iv) the adoption of a plan relating to the liquidation and dissolution of the Company.

“Change of Control Conversion Period” will have the meaning ascribed to such term in Section 4.2.

“Change of Control Notice” will have the meaning ascribed to such term in Section 4.2.

“close of business” means 5:00 P.M., New York City time.

“Company” will have the meaning ascribed to such term in the Preamble.

“Conversion Date” will have the meaning ascribed to such term in Section 3.3.

“Conversion Notice” will have the meaning ascribed to such term in Section 3.3.

“Conversion Period” will have the meaning ascribed to such term in Section 3.4.

“Conversion Price” will have the meaning ascribed to such term in Section 3.4.

“Conversion Share Price” will have the meaning ascribed to such term in Section 4.1.

“Conversion Right” will have the meaning ascribed to such term in Section 3.1.

“Current ADS Ratio” will have the meaning ascribed to such term in Section 4.1.

“Default Interest” will have the meaning ascribed to such term in Section 2.1.

“Depository” means JPMORGAN CHASE BANK, N.A., or any successor thereto, as the depository of the Company’s ADS program.

“Eligible Market” means The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors).

“Equivalent Amount” will have the meaning ascribed to such term in Section 3.6(f).

“Equivalent Original Shares” will have the meaning ascribed to such term in Section 3.8.

“Event of Default” will have the meaning ascribed to such term in Section 2.4.

“Excess Threshold” will have the meaning ascribed to such term in Section 4.3.5 (iii).

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Fixed Price” will have the meaning ascribed to such term in Section 3.3.

“Fractional ADSs” means ADSs that would represent a fractional Ordinary Share.

“Governmental Authority” means any federal, national, supranational, state, provincial, local, municipal or other government, any governmental, quasi-governmental, supranational, regulatory or administrative authority (including any governmental division, department, agency, commission, instrumentality, organization, unit or body, political subdivision, and any court or other tribunal) or any self-regulatory organization (including NASDAQ) with competent jurisdiction.

“HKIAC” will have the meaning ascribed to such term in Section 11.4(b).

“Holder” will have the meaning ascribed to such term in the Preamble.

“Last Conversion Notice” will have the meaning ascribed to such term in Section 3.9.

“Last Reported Sale Price” of the ADSs on any date means the closing sale price per ADS (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the NASDAQ (or the principal U.S. national or regional securities exchange on which the ADSs are traded). If the ADSs are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “Last Reported Sale Price” will be the last quoted bid price for the ADSs in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the ADSs are not so quoted, the “Last Reported Sale Price” will be the average of the midpoint of the last bid and ask prices for the ADSs on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

“Law” means any statute, law, ordinance, regulation, rule, code, order, judgment, writ, injunction, decree or requirement of law (including common law) enacted, issued, promulgated, enforced or entered by a Governmental Authority.

“Maturity Date” will have the meaning ascribed to such term in the Preamble.

“NASDAQ” means the NASDAQ Global Market.

“NBV Price” will have the meaning ascribed to such term in Section 3.3.

“Note” will have the meaning ascribed to such term in the Preamble.

“Note Certificate” will have the meaning ascribed to such term in Section 3.6(a).

“open of business” means 9:00 A.M., New York City time.

“Ordinary Shares” means class A ordinary shares of the Company, par value US\$0.001 per ordinary share, at the date of this Note, or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

“Original Issue Date” means September 12, 2018.

“Payment Due Date” will have the meaning ascribed to such term in Section 2.1.

“Permitted Holders” means:

- (i) Wing Hong Sammy Hsieh;
- (ii) Jian Tang;
- (iii) any Person directly or indirectly controlled by or under direct or indirect common control with, the person specified in clause (i) or (ii); and
- (iv) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned two-thirds or more by any of the persons specified in clause (i), (ii) or (iii).

“Person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company’s board of directors or any other governing board and does not include the Company’s Subsidiaries.

“Purchase Agreement” will have the meaning ascribed to such term in the Preamble.

“Receipt Confirmation” will have the meaning ascribed to such term in Section 3.6(a).

“Receipt Confirmation Date” will have the meaning ascribed to such term in Section 3.6(a).

“Reference Conversion Price” will have the meaning ascribed to such term in Section 3.3.

“Reference Conversion Price Period” will have the meaning ascribed to such term in Section 3.3.

“Register” will have the meaning ascribed to such term in Section 9.1.

“Registrar” will have the meaning ascribed to such term in Section 9.2.

“Relevant Event” will have the meaning ascribed to such term in Section 5.1.4.

“Relevant Event Put Date” will have the meaning ascribed to such term in Section 5.1.1.

“Relevant Event Put Exercise Notice” will have the meaning ascribed to such term in Section 5.1.1.

“Remaining Amount” will have the meaning ascribed to such term in Section 3.9.

“Securities Act” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Selected Conversion Price” means the Conversion Price or the Reference Conversion Price, as applicable, calculated pursuant to Section 3.3 prior to the application of any adjustment under Section 4.2.

“Share Cap” will have the meaning ascribed to such term in Section 3.9.

“Subsidiary” means, as of the relevant date of determination, with respect to any Person (the “subject entity”), (a) any Person (i) more than 50% of whose shares or other interests entitled to vote in the election of directors or (ii) in respect of whom an interest in more than fifty percent (50%) of the profits or capital of such Person, is or are owned or controlled directly or indirectly by the subject entity or through one (1) or more other Subsidiaries of the subject entity, (b) any Person, including for the avoidance of doubt any “variable interest entity”, whose financial statements, or portions thereof, are or are intended to be consolidated with the financial statements of the subject entity for financial reporting purposes in accordance with U.S. GAAP, or (c) any Person with respect to which the subject entity has the sole power to control or otherwise direct the business and policies of that entity directly or indirectly through another subsidiary or otherwise.

“Successor Company” will have the meaning ascribed to such term in Section 7.1(a).

“Trading Day” means a day on which (a) trading in the ADSs (or other Company security for which a closing sale price must be determined) generally occurs on the NASDAQ or, if the ADSs (or such other security) are not then listed on the NASDAQ, on the principal other U.S. national or regional securities exchange on which the ADSs (or such other security) are then listed or, if the ADSs (or such other security) are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs (or such other security) are then traded and (b) a Last Reported Sale Price for the ADSs (or closing sale price for such other security) is available on such securities exchange or market; provided that if the ADSs (or such other security) are not so listed or traded.

“Transfer Notice” will have the meaning ascribed to such term in Section 9.2.

“US\$”, “\$” or “U.S. dollar” means the United States dollar, the lawful currency of the United States of America.

“U.S.” means United States.

“U.S. GAAP” means the accounting principles generally accepted in the United States of America.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“VWAP” means the volume weighted average prices of the Ordinary Shares or ADSs, as the case may be, on the relevant Trading Day or the relevant Trading Day-period quoted on Bloomberg under the “AQR” function (or any successor function), with appropriate settings in DPDF (or any successor pages) for the relevant adjustment(s) where implemented, from 9:30 to 16:00, New York City time or, if unavailable on Bloomberg, from such other source as will be determined appropriate by a leading investment bank of international repute. Adjustments to the VWAP will be made to reflect the occurrence of any of the adjustment events described in Section 4.1, to the extent such events are not reflected in the VWAP as reported by the “AQR” function (or any successor function), with appropriate settings in DPDF (or any successor pages) for the relevant adjustment(s). For the avoidance of doubt, if the adjustment event(s) described in Section 4.1 is reflected in the VWAP as reported by the “AQR” function (or any successor function), with appropriate settings in DPDF (or any successor pages) for the relevant adjustment(s), then the adjustment formula provided in Section 4.1 for such adjustment event(s) will not apply.

ARTICLE 2

INTEREST; PAYMENTS; DEFAULTS

2.1. Interest. This Note does not bear interest unless it is redeemed or repaid pursuant to Article 5 (Put Option) or Sections 2.4, 2.5 or 3.6 and payment of principal, redemption monies or the Cash Alternative Amount is improperly withheld or refused on the Payment Due Date. In such event, any unpaid amount on this Note will bear interest at 5% per annum from and including the due date for redemption or payment thereof after due presentation of this Note Certificate and any other documents required under this Note (the “**Payment Due Date**”) to and excluding the date such unpaid amount in respect of this Note is paid as provided in Section 2.2 (“**Default Interest**”). If Default Interest on this Note is required to be calculated for less than a complete year, it will be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of actual days elapsed over a 30-day month.

2.2. Payment. All amounts payable on or in respect of this Note or the indebtedness evidenced hereby will be paid to the Holder in U.S. dollars, in immediately available funds on the date that any amount is due and payable hereunder. The Company will make such payments on each such date to the Holder by wire transfer of immediately available funds for the account of the Holder as the Holder may designate from time to time and notify in writing to the Company at least three Business Days prior to each payment date. If any such payment date falls on a day that is not a Business Day, the required payment will be made on the next succeeding Business Day and no interest on such payment will accrue in respect of the delay.

2.3. Seniority. This Note ranks senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to this Note, equal in right of payment to any of the Company's future indebtedness and other liabilities of the Company that are not so subordinated, junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally junior to all future indebtedness incurred by the Company's Subsidiaries and their other liabilities (including trade payables).

2.4. Events of Default. For purposes of this Note, an "**Event of Default**" will be deemed to have occurred if any of the following events occur, whatever the reason or cause for such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Failure to Pay Principal. The Company defaults in the payment of principal of this Note when due and payable on the Maturity Date, upon acceleration, redemption or otherwise;

(b) Breach of Conversion Obligation. The Company fails to comply with its obligation to convert all or a portion of this Note in accordance with Article 3 upon the Holder's exercise of its Conversion Rights and such failure continues for a period of two Business Days;

(c) Breach of Other Obligations. The Company fails for 30 calendar days after written notice from the Holder has been received by the Company to comply with any of its other agreements contained in this Note or the Purchase Agreement;

(d) Illegality; Unenforceability. This Note will be (i) illegal or unenforceable in any material respect or (ii) terminated prior to its scheduled termination date (other than pursuant to Section 11.1), and such condition continues for ten (10) consecutive Trading Days.

(e) Cross Default. Any default by the Company or any Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of US\$5,000,000 (or the foreign currency equivalent thereof) in the aggregate of the Company and/or any such Subsidiary, whether such indebtedness now exists or will hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable or (ii) constituting a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise;

(f) Adverse Judgment. Final judgments or orders for the payment, singly or in the aggregate, of US\$5,000,000 (or the foreign currency equivalent thereof) or more (excluding any amounts covered by insurance) is rendered against the Company or any Subsidiary of the Company, which judgment or order is not paid, bonded or otherwise discharged or stayed within 60 calendar days after the earlier of (i) the date on which the right to appeal thereof has expired if no such appeal has commenced and (ii) the date on which all rights to appeal have been extinguished;

(g) Security Enforced. Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Subsidiaries is enforced (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person), and is not discharged within 30 calendar days;

(h) Bankruptcy. The Company or any of its Subsidiaries will commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Subsidiary or its debts under any bankruptcy, insolvency or other similar Law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Subsidiary or all or substantially all of its property, or will consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or will make a general assignment for the benefit of creditors, or will fail generally to pay its debts as they become due; or

(i) Involuntary Proceedings. An involuntary case or other proceeding will be commenced against the Company or any of its Subsidiaries seeking liquidation, reorganization or other relief with respect to the Company or such Subsidiary or its debts under any bankruptcy, insolvency or other similar Law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Subsidiary or all or substantially all of its property, and such involuntary case or other proceeding will remain undismissed and unstayed for a period of 30 consecutive calendar days.

(j) Analogous Events. Any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in Sections 2.4(f) to 2.4(i).

2.5. Consequences of Event of Default.

(a) Upon the occurrence of an Event of Default, the Company will promptly deliver written notice thereof to the Holder. If one or more Events of Default will have occurred and be continuing (whatever the reason for such Event of Default and whether it will be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority), then, and in each and every such case (other than an Event of Default specified in Section 2.4(g) or Section 2.4(h) with respect to the Company or any of its Subsidiaries), unless the principal of this Note will have already become due and payable, the Holder may, by notice in writing to the Company, declare 100% of the outstanding principal of this Note to be due and payable immediately, and upon any such declaration the same will become and will automatically be immediately due and payable. If an Event of Default specified in Section 2.4(g) or Section 2.4(h) with respect to the Company or any of its Subsidiaries occurs and is continuing, 100% of the outstanding principal of this Note will become and will automatically be immediately due and payable without any action on the part of the Holder.

(b) Subsection (a) above, however, is subject to the conditions that if, at any time after the outstanding principal of this Note will have been so declared due and payable, and before any judgment or decree for the payment of the monies due will have been obtained or entered as hereinafter provided, the Company will pay or will deposit with the Holder a sum sufficient to pay the outstanding principal of this Note that will have become due otherwise than by acceleration, and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all existing Events of Default under this Note, other than the nonpayment of the principal on this Note that will have become due solely by such acceleration, will have been cured or waived, then and in every such case the Holder, by written notice to the Company, may waive all defaults or Events of Default with respect to this Note and rescind and annul such declaration and its consequences and such default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured for every purpose of this Note; but no such waiver or rescission and annulment will extend to or will affect any subsequent Event of Default, or will impair any right consequent thereon.

2.6. Damages. If a competent court rules that either party is in breach of terms of this Note and the other party suffers damages, losses, costs or expenses as a result, remedies payable by this party to the non-breaching party will be the damages as determined by the court.

ARTICLE 3

CONVERSION

3.1. Conversion by Holder. Subject to and upon compliance with the provisions of this Article 3, the Holder will have the right from time to time, at the Holder's option, to convert all or any portion of this Note (the "**Conversion Right**") (provided that the portion to be converted is at least US\$1,000,000 in principal amount of this Note and any integral multiples of US\$1,000,000 in excess thereof) to the Company's fully paid ADSs at any time during the Conversion Period. Notwithstanding the foregoing, the Company is not obligated to give effect to such exercise of Conversion Rights more than once every 15 calendar days.

3.2. Mandatory Conversion. Any outstanding principal amount of this Note not converted within the Conversion Period will mandatorily convert on the Maturity Date as if a Conversion Notice had been given by the Holder on the Maturity Date; provided that payment of any amounts due upon such mandatory conversion will only be made and delivery of any securities pursuant to such conversion will only be made, upon the presentation of this Note Certificate to the Registrar for cancellation.

3.3. Conversion Price. Subject to adjustments as provided in Sections 4.2 and 4.3, the price at which ADSs will be delivered upon conversion (the "**Conversion Price**") will be the U.S. dollar amount equal to 0.92 (the "**Fixed Discount**") times the lowest of:

- (i) the VWAP of the ADSs over the period from and including the Original Issue Date to and including the Conversion Date;
- (ii) the VWAP of the ADSs over the five Trading Day-period including the Conversion Date and the four Trading Days preceding such Conversion Date; and
- (iii) the fixed price of US\$8.00 (the "**Fixed Price**"), subject to adjustments as provided in Article 4.

Provided, however, that if the Conversion Price calculated using the above formula is higher than the U.S. dollar amount calculated by multiplying the Fixed Discount times the VWAP of the ADSs over the period from and including the Receipt Confirmation Date to and including the date of delivery of the ADSs to the converting Holder (the "**Reference Conversion Price**" and such period, the "**Reference Conversion Price Period**"), then the Conversion Price will be deemed to be the "**Reference Conversion Price**" and an additional number of ADSs will be delivered to the converting Holder as soon as reasonably practicable and no later than five Business Days from the end of the Reference Conversion Price Period, such that the total number of ADSs delivered to such converting Holder will be equal to the total number of ADSs that would have been deliverable had the number of ADSs initially delivered to the converting Holder been calculated using the Reference Conversion Price. Notwithstanding the foregoing, in no event will the Conversion Price or the Reference Conversion Price be less than US\$2.78 (the "**NBV Price**"), subject to adjustments as provided in Article 4.

In all calculations of the Conversion Price, if the relevant Conversion Notice is delivered to the Company on a day that is not a Trading Day, the Conversion Notice will be deemed to have been delivered on the next day that is a Trading Day.

3.4. Conversion Period. The Conversion Right attaching to this Note may be exercised, at the option of the Holder, at any time on and after the 41st day after the Original Issue Date up to the close of business on the Business Day immediately preceding the Maturity Date (the “**Conversion Period**”).

Notwithstanding the foregoing, if a Conversion Date in respect of this Note would otherwise fall during a period in which the register of ADSs of the Depository is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the ADSs (a “**Book Closure Period**”), such Conversion Date will be postponed to the first Trading Day following the expiry of such Book Closure Period.

3.5. Revival and/or survival after Default. Notwithstanding the provisions of Section 3.6, if the Company defaults in making payment in full in respect of the principal or the Cash Alternative Amount on the Payment Due Date, the Conversion Right attaching to such Note equivalent to such unpaid principal or Cash Alternative Amount will revive and/or will continue to be exercisable up to, and including, the three Business Days preceeding the date upon which the full amount of the moneys payable in respect of such Note has been duly paid to the Holder pursuant to Section 2.2.

3.6. Conversion Procedure; Settlement Upon Conversion.

(a) This Note will be deemed to have been converted immediately prior to the close of business on the date (the “**Conversion Date**”) that the Holder has delivered (1) a duly completed and executed irrevocable written notice to the Registrar in the form attached hereto as Exhibit A (the “**Conversion Notice**”), (2) the certificate evidencing this Note (the “**Note Certificate**”) to the Registrar for cancellation or notation of the outstanding principal amount of this Note after partial conversion, and (3) the ADS conversion documents pursuant to the procedures of the Depository in effect at that time to the Registrar and the Depository. On or before the second Business Day following the date of receipt of a Conversion Notice, the Registrar will transmit by facsimile or other electronic means a confirmation of receipt of such Conversion Notice to the Holder (the “**Receipt Confirmation**” and such date of transmission, the “**Receipt Confirmation Date**”). Within five Business Days after the relevant Receipt Confirmation Date, the Company will (i) take all actions and execute all documents and procure that the Depository take all actions and execute all documents necessary to effect the issuance of the number of ADSs to which the Holder will be entitled in satisfaction of any conversion pursuant to Sections 3.1 or 3.2, (ii) cause entries on the Company’s register of members to be entered with respect to the Ordinary Shares represented by such ADSs in the name of the Depository for the purpose of such deposit and (iii) subject to Section 3.6(c), cancel this Note Certificate. No Conversion Notice may be delivered and this Note Certificate may not be surrendered by the Holder for conversion thereof if the Holder has also delivered a Relevant Event Put Exercise Notice to the Registrar in respect of this Note and not validly withdrawn such Relevant Event Put Exercise Notice in accordance with Section 5.3. A single certificate will be issued in respect of all ADSs issued on conversion of this Note subject of the same Conversion Notice.

(b) The Company will not issue any Fractional ADS upon conversion of this Note and will instead pay cash in lieu of any Fractional ADS deliverable upon conversion based on the VWAP of the ADSs on the relevant Conversion Date.

(c) In the event the Holder presents this Note Certificate to the Registrar pursuant to Section 3.6(a) for partial conversion, the Registrar will record the outstanding principal amount equal to the unconverted portion of the presented Note Certificate on the Register and the “**Schedule of Outstanding Principal Amount of this Note in respect of which this Note Certificate is issued**” attached to this Note Certificate and update the Register to reflect such outstanding principal amount. Such recoding will be made without payment of any service charge by the Holder.

(d) If the Holder submits this Note Certificate to the Registrar for conversion, the Company will pay any documentary, stamp or similar issue or transfer tax due on the delivery of the ADSs upon such conversion of this Note (or the issuance of the underlying Ordinary Shares), unless the tax is due because the Holder requests such ADSs (or such Ordinary Shares) to be issued in a name other than the Holder’s name, in which case the Holder will pay that tax. The Company will pay the relevant Depositary’s fees for issuance of the ADSs.

(e) The number of ADSs to be issued on conversion of a Note will be determined by dividing the principal amount of Note to be converted by the Conversion Price. The Company’s settlement of each conversion pursuant to this Article 3 will be deemed to satisfy in full its obligation to pay the principal amount of this Note converted.

(f) If the record date for the payment of any dividend or other distribution in respect of the Original Shares is on or after the Conversion Date in respect of this Note, but before the issuance of the ADS to the Holder, the Company will calculate and directly pay to the converting Holder an amount in U.S. dollars (the “**Equivalent Amount**”) equal to the Fair Market Value of such dividend or other distribution to which the Holder would have been entitled had the Depositary on that record date been such a shareholder of record of Original Shares and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven Business Days thereafter.

(g) Except as provided in Section 3.6(f), no adjustment will be made for dividends on any ADSs delivered upon any conversion of this Note as provided in this Article 3.

3.7. Cash Alternative Election.

If the VWAP of the ADSs on the Conversion Date is lower than the VWAP of the ADSs on the Original Issue Date, upon receiving a Conversion Notice, the Company may, at its sole option, make an election (the “**Cash Alternative Election**”) to satisfy the exercise of the Conversion Right in respect of such Conversion Notice, in whole and not in part, by paying the Cash Alternative Amount to such converting Holder. The Company will inform the Holder of its exercise of the Cash Alternative Election by giving notice to the Holder in the form attached hereto as Exhibit B (the “**Cash Alternative Election Notice**”) within two Business Days after the Receipt Confirmation Date.

The “**Cash Alternative Amount**” is an amount in U.S. dollars equal to the principal amount to be converted pursuant to the relevant Conversion Notice divided by 0.92.

The Company will pay the Cash Alternative Amount within seven Business Days after the relevant Receipt Confirmation Date.

3.8. Equivalent Original Shares. Notwithstanding anything to the contrary in this Note, if the converting Holder is, or is holding this Note on behalf of a beneficial owner who is, an “affiliate” of the Company as such term is defined in Rule 405 under the Securities Act, unless (i) Cash Settlement applies or (ii) the Cash Alternative Election applies and the Company makes such Cash Alternative Election, the Company’s obligation to deliver ADSs pursuant to the relevant Conversion Notice will be satisfied by the Company’s delivery of Equivalent Original Shares represented by a share certificate with the applicable restrictive legend. “**Equivalent Original Shares**” means the number of Original Shares represented by the number of ADSs to be delivered by the Company pursuant to the relevant Conversion Notice.

3.9. Cash Settlement.

Notwithstanding anything to the contrary in this Note, no Ordinary Shares (including Ordinary Shares represented by ADSs) will be delivered to a converting Holder if such delivery would result in the aggregate number of Ordinary Shares (including Ordinary Shares represented by ADSs) to be delivered pursuant to such Conversion Notice (such notice the “**Latest Conversion Notice**”) taken together with the aggregate number of Original Shares (including Ordinary Shares represented by ADSs) delivered by the Company pursuant to the exercise of Conversion Rights since the Original Issue Date up to the date prescribed for delivery by the Latest Conversion Notice to exceed 19.9% of the Company’s outstanding common stock as of the Original Issue Date (the “**Share Cap**”). In such event, the Company’s obligation under the Latest Conversion Notice will be satisfied by delivering the maximum number of ADSs such that the delivery does not exceed the Share Cap and any portion of the principal amount designated in the Latest Conversion Notice that is not so converted (the “**Remaining Amount**”) will be settled by the Company by paying the Cash Settlement Amount to such converting Holder.

The “**Cash Settlement Amount**” is an amount in U.S. dollars equal to the Remaining Amount divided by 0.92.

The Company will pay the Cash Settlement Amount within seven Business Days after the relevant Receipt Confirmation Date.

ARTICLE 4

ADJUSTMENTS

4.1. Adjustment to Fixed Price and NBV Price.

(a) Upon the happening of any of the following events described in this Article 4, the Fixed Price of US\$8.00, which represents a per-Share price of US\$16.00 (the “**Conversion Share Price**”), will be adjusted such that the adjusted Fixed Price will be the Conversion Share Price, as adjusted pursuant to Sections 4.1.1 to 4.1.12, divided by 2.0 (the “**ADS Ratio**”), which is the ratio of two ADSs representing one Ordinary Share. If there is a change in the ADS Ratio as of the relevant calculation date, the ADS Ratio will be adjusted to reflect the then-current number of ADSs then representing one Ordinary Share (the “**Current ADS Ratio**”).

(b) Upon the happening of any of the following events described in this Article 4, the NBV Price of US\$2.78, which represents a per-Share price of US\$5.56, will be adjusted such that the adjusted NBV Price will be the NBV Price, as adjusted pursuant to Sections 4.1.1 to 4.1.12, divided by the Current ADS Ratio.

4.1.1. *Consolidation, Subdivision or Reclassification:* If and whenever there will be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment will become effective on the date the alteration takes effect.

4.1.2. *Capitalisation of Profits or Reserves:*

(i) If and whenever the Company will issues any Shares credited as fully paid to the holders of the Shares (the “**Shareholders**”) by way of capitalisation of profits or reserves (including Shares paid up out of distributable profits or reserves and/or share premium account) (other than (1) where any such Shares are or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive, (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Shares, or (3) where any such Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), in which case Section 4.1.2(ii) applies), each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment will become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price on the date of announcement of the terms of such issue of Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is such Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment will become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

4.1.3. Distributions

(i) If and whenever the Company will pay or make any Non-Cash Distribution to the Shareholders (except to the extent that the Conversion Share Price and the NBV Price fall for adjustment within the provisions of Section 4.1.2), each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before the effective date of adjustment for such Non-Cash Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Non-Cash Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Non-Cash Distribution attributable to one Share or, in the case of a purchase, redemption or buyback of Shares, the Per Share Deemed Dividend Amount as specified in clause (iii) of the definition of "Dividend."

Such adjustment will become effective on the date that such Non-Cash Distribution is actually made or, if later, the first date upon which the Fair Market Value of the Non-Cash Distribution is capable of being determined as provided in this Section 4.1.

(ii) If and whenever the Company will pay or make any Cash Distribution to the Shareholders, each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before the effective date of adjustment for such Cash Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Cash Distribution is publicly announced; and

B the amount of the Cash Distribution on a per-Share basis.

Such adjustment will become effective on the first date on which such Cash Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

4.1.4. *Rights Issues of Shares or Options over Shares:* If and whenever the Company will issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than the Current Market Price per Share on the date of the announcement of the terms of the issue or grant, each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment will become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

4.1.5. *Rights Issues of Other Securities:* If and whenever the Company will issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights, options, warrants or other rights attributable to one Share.

Such adjustment will become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

4.1.6. *Issues at less than Current Market Price:* If and whenever the Company will issue (otherwise than as mentioned in [Section 4.1.4](#)) any Shares (other than Shares issued as underlying Shares of ADSs on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in [Section 4.1.4](#)) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the Current Market Price on the date of announcement of the terms of such issue or grant, each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula will, in the case of an issue by the Company of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment will become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

4.1.7. *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this [Section 4.1.7](#), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in [Sections 4.1.4, 4.1.5 or 4.1.6](#)) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other person (otherwise than as mentioned in [Sections 4.1.4, 4.1.5 or 4.1.6](#)) will issue any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than the Current Market Price on the date of announcement of the terms of issue of such securities. In such an event, each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment will become effective on the date of issue of such securities.

4.1.8. *Modification of Rights of Conversion etc.*: If and whenever there will be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in [Section 4.1.7](#) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price on the date of announcement of the proposals for such modification, each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank consider appropriate (if at all) for any previous adjustment under this [Section 4.1.8](#) or [Section 4.1.7](#).

Such adjustment will become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

4.1.9. *Other Offers to Shareholders*: If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other person issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Share Price and the NBV Price fall for adjustment within the provisions of [Sections 4.1.4](#), [4.1.5](#), [4.1.6](#) or [4.1.7](#)), each of the Conversion Share Price and the NBV Price will be adjusted by multiplying each of the Conversion Share Price and the NBV Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment will become effective on the date of issue, sale or distribution of the securities.

4.1.10. *Other Events*: If the Company determines that an adjustment should be made to the Conversion Share Price and the NBV Price as a result of one or more events or circumstances not referred to in this Section 4.1, the Company will at its own expense request an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Share Price and the NBV Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Share Price and the NBV Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) will be made and will take effect in accordance with such determination, provided that where events or the circumstances giving rise to any adjustment pursuant to this Section 4.1 have already resulted or will result in an adjustment to the Conversion Share Price and the NBV Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Share Price and the NBV Price, such modification (if any) will be made to the operation of the provisions of this Section 4.1 as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result.

4.1.11. *Definitions*: For purposes of Section 3.6(f) and this Section 4.1:

“Cash Distribution” means (i) any Dividend which is to be made or paid in cash (in whatever currency) and (ii) any Dividend determined to be a Cash Distribution pursuant to paragraph (i) of the definition of “Dividend” and for the avoidance of doubt a Dividend falling within paragraph (iii) of the definition of Dividend will be treated as a Non-Cash Distribution.

“Current Market Price” means, in respect of a Share at a particular time on a particular date, the Current ADS Ratio multiplied by the average of the Last Reported Sale Price or, as the case may be, by the Eligible Market for one ADS (being an ADS representing Shares carrying full entitlement to dividend) for the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such date (being a Trading Day), such date of announcement; provided that if at any time during the said 20 Trading Day period the ADS will have been quoted ex-dividend and during some other part of that period the ADS will have been quoted cum-dividend then:

(i) if the Shares underlying the ADSs to be issued in such circumstances do not rank for the dividend in question, the quotations of the ADSs on the dates on which the ADSs will have been quoted cum-dividend will for the purpose of this definition be deemed to be reduced by an amount equal to the Fair Market Value of any such dividend per Share divided by the Current ADS Ratio; or

(ii) if the Shares underlying the ADSs to be issued in such circumstances rank for the dividend in question, the quotations of the ADSs on the dates on which the ADSs will have been quoted ex-dividend will for the purpose of this definition be deemed to be increased by the Fair Market Value of any such dividend per Share divided by the Current ADS Ratio;

and provided further that if the ADSs on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares underlying the ADSs to be issued do not rank for that dividend, the quotations of the ADSs on each of such dates will for the purpose of this definition be deemed to be reduced by an amount equal to the Fair Market Value of that dividend per Share divided by the Current ADS Ratio and provided further that:

(x) if such Last Reported Sale Prices are not available on each of the 20 Trading Days during the relevant period, then the average of such Last Reported Sale Prices which are available in the relevant period will be used (subject to a minimum of two such Last Reported Sale Prices); and

(y) if only one or no such Last Reported Sale Price is available in the relevant period, then the Current Market Price will be determined in good faith by an Independent Investment Bank.

“Distribution” means a Cash Distribution or a Non-Cash Distribution.

“Dividend” means any dividend or distribution to Shareholders whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of Shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

(i) where (1) a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend or capitalisation in question will be treated as a Cash Distribution of an amount equal to the greater of (i) the Fair Market Value of such cash amount and (ii) if greater than the Fair Market Value of such cash amount, the Current Market Price of such Shares or, as the case may be, the Fair Market Value of such other property or assets, in any such case as at the date of the first public announcement of such Dividend or capitalisation (as the case may be) or, if later, the date on which the number of Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined; or (2) there will be any issue of Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the capitalisation in question will be treated as a Cash Distribution of an amount equal to the Current Market Price of such Shares as at the date of the first public announcement of such capitalisation or, if later, the date on which the number of Shares to be issued or transferred and delivered is determined;

(ii) any issue of Shares falling within Section 4.1.2 will be disregarded;

(iii) a purchase, redemption or buyback of share capital of the Company by or on behalf of the Company or any of its Subsidiaries will not constitute a Dividend unless the weighted average price (before expenses) on any one day in respect of such purchases, redemptions or buybacks exceeds the Current Market Price of the Shares, either (1) on that date, or (2) where an announcement has been made of the intention to purchase, redeem or buyback Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase, redemption or buyback will be deemed to constitute a Dividend in an amount by which the aggregate price paid (before expenses) in respect of such Shares purchased, redeemed or bought back by or on behalf of the Company or, as the case may be, any of its Subsidiaries exceeds the product of (i) the Current Market Price of the Shares determined as aforesaid and (ii) the number of Shares so purchased, redeemed or bought back (the “**Per Share Deemed Dividend Amount**”).

“Fair Market Value” means, with respect to any assets, security (including options and warrants) or right on any date, the fair market value of that asset, security or right as determined by an Independent Investment Bank using where possible and appropriate relevant commonly accepted market valuation methodology and taking account of such factors as the Independent Investment Bank considers appropriate, including, without limitation, market price, dividend yield, volatility, prevailing market price, prevailing interest rates and the terms of such securities or rights, including as to the expiry date and exercise price (if any) thereof; provided that (i) the fair market value of a cash dividend paid or to be paid per Share will be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (ii) where securities or rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such securities or rights will equal the arithmetic mean of the daily closing prices of such securities or rights during the period of five trading days on the relevant market commencing on the first such trading day such securities or rights are publicly traded.

“Independent Investment Bank” means an independent investment bank of international repute selected by the Company at its expense.

“Non-Cash Distribution” means any Dividend which is not a Cash Distribution, but excludes a Scrip Dividend adjusted for under [Section 4.1.2\(ii\)](#).

“Relevant Cash Dividend” means the aggregate cash dividend or distribution declared by the Company, including any cash dividend in respect of which there is a Scrip Dividend.

“Scrip Dividend” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Non-Cash Distribution (and for the avoidance of doubt, no adjustment is to be made under [Section 4.1.3](#) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under [Section 4.1.2\(ii\)](#)).

“Shares” means ordinary shares of the Company, par value US\$0.001 per ordinary share, at the date of this Note, or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

“Shareholders” shall have the meaning ascribed to such term in [Section 4.1.2\(i\)](#).

4.1.12. For purposes of this [Section 4.1](#), the number of Shares at any time outstanding will not include Shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on Shares held in the treasury of the Company (directly or in the form of ADSs), but will include Shares issuable in respect of scrip certificates issued in lieu of fractions of Shares.

4.2. Adjustment to Selected Conversion Price upon Change of Control.

If a Change of Control will occur, the Company will give notice of that fact to the Holder (the “**Change of Control Notice**”) in accordance with Section 11.2 within five Business Days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to the Holder (such period, the “**Change of Control Conversion Period**”), the Selected Conversion Price will be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{1 + (\text{CP} \times c/t)}$$

where:

“NCP” means the new Conversion Price.

“OCP” means the Selected Conversion Price in effect on the relevant Conversion Date.

“CP” means 8/100.

“c” means the number of days from and including the date the Change of Control occurs to, but excluding, the Maturity Date.

“t” means the number of days from and including the Original Issue Date to, but excluding, the Maturity Date,

provided that the Selected Conversion Price will not be reduced pursuant to this Section 4.2 below the level permitted by applicable laws and regulations from time to time (if any), and, for the avoidance of doubt, no adjustment under this Section 4.2 will be made in respect of the exercise of any Conversion Rights where the relevant Conversion Date falls outside the Change of Control Conversion Period.

4.3. Provisions Relating To Changes In Conversion Share Price, the NBV Price or Conversion Price.

4.3.1. *Minor adjustments:* On any adjustment, the resultant NBV Price or Conversion Price, if not an integral multiple of one U.S. dollar cent, will be rounded down to the nearest one U.S. dollar cent. No adjustment will be made to the NBV Price or the Conversion Price where such adjustment (rounded down if applicable) would be less than 1% of the NBV Price or the Conversion Price, as applicable, then in effect. Any adjustment not required to be made, and any amount by which the NBV Price or the Conversion Price has not been rounded down, will be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment will be given by the Company to the Holder in accordance with Section 11.2 as soon as practicable after the determination thereof, and, if applicable, such notice will include a statement of any adjustments to the VWAP of the ADSs pursuant to this Section 4.3.1 as of a relevant date, as well as a statement of how such adjustments were calculated.

4.3.2. *Minimum Conversion Price:* The Conversion Price may not be reduced so that, on a conversion of this Note, ADSs or Shares will be required to be issued in any circumstances not permitted by applicable Law.

4.3.3. *Multiple Events*: Where more than one event which gives or may give rise to an adjustment to the Conversion Share Price, the NBV Price or the Conversion Price occurs within such a short period of time that, in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification will be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

4.3.4. *Upward adjustment*: No adjustment involving an increase in the Conversion Share Price will be made, except in the case of a consolidation, subdivision or reclassification of the Shares as referred to in Section 4.1.1, or to correct an error.

4.3.5. Notwithstanding anything to the contrary in this Article 4, the NBV Price and the Conversion Share Price will not be adjusted:

(i) upon the issuance of any Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Shares or ADSs under any plan;

(ii) upon the issuance of Shares (directly or in the form of ADSs), rights, options or warrants to subscribe for, purchase or otherwise acquire Shares or ADSs, and other incentive shares granted under the Company's existing equity incentive plans;

(iii) any issuance of Shares pursuant to the exercise or exchange of any rights, options or warrants to subscribe for, purchase or otherwise acquire Shares or ADSs, and other incentive shares granted under any existing or future equity incentive plan of the Company unless any such issuance or other action would result in the total number of Shares which may be issued upon exercise of such Shares or other securities granted during any 12-month period up to and including the date of such issuance or other action representing, in aggregate, over 6% of the average number of issued and outstanding Shares during such 12-month period ("**Excess Threshold**"), in which case only such portion of the Shares or other securities that exceeds the Excess Threshold will be taken into account in determining the adjustment of the NBV Price and the Conversion Share Price pursuant to this Article 4; or

(iv) solely for a change in the par value of the Shares or ADSs.

4.3.6. All calculations and other determinations under this Article 4 will be made by the Company in good faith and will be made to the nearest one-ten thousandth (1/10,000) of an ADS.

4.4. Certain Covenants.

(a) The Company covenants that all ADSs delivered upon any conversion of this Note, and all Ordinary Shares represented by such ADSs, will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that if any ADSs to be provided for the purpose of any conversion of this Note, or any Ordinary Shares represented by such ADSs, require registration with or approval of any Governmental Authority under any Law before such ADSs may be validly issued upon conversion, the Company will, to the extent then permitted by applicable Law, secure such registration or approval, as the case may be.

(c) The Company further covenants that, for as long as the ADSs are listed on the NASDAQ or any other national securities exchange or automated quotation system, the Company will list and keep listed, so long as the ADSs will be so listed on such exchange or automated quotation system, any ADSs deliverable upon any conversion of this Note.

(d) The Company further covenants to take all actions and obtain all approvals and registrations required with respect to any conversion of this Note into ADSs and the issuance of the Ordinary Shares represented by such ADSs. The Company also undertakes to maintain, as long as this Note remains outstanding, the effectiveness of a registration statement on Form F-6 relating to the ADSs and an adequate number of ADSs available for issuance thereunder, such that ADSs can be delivered in accordance with the terms of this Note and the other Notes issued pursuant to the Purchase Agreement upon any conversion hereunder or thereunder. In addition, the Company further covenants to provide the Holder with a reasonably detailed description of the mechanics for the delivery of ADSs upon any conversion of this Note upon written request by the Holder.

(e) The Holder hereto acknowledges and agrees that (i) nothing herein will require the Company to file a shelf or other registration statement for the resale of this Note, the ADSs deliverable upon conversion of all or any portion of this Note or the Ordinary Shares represented thereby and (ii) the Holder may only resell this Note, the ADSs delivered upon conversion of all or any portion of this Note or the Ordinary Shares represented thereby pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities Laws.

4.5. Notice for Certain Actions. In case of any (a) action by the Company or one of its Subsidiaries that would require an adjustment in the Conversion Share Price and the NBV Price pursuant to Section 4.1, or (b) voluntary or involuntary dissolution, liquidation or winding-up of the Company or any of its Subsidiaries, then, in each case (unless notice of such event is otherwise required pursuant to another provision of this Note), the Company will deliver a written notice to the Holder, as promptly as possible but in any event at least 20 calendar days prior to the applicable date hereinafter specified, stating as applicable (i) the date on which a record is to be taken for the purpose of such action by the Company or one of its Subsidiaries or, if a record is not to be taken, the date as of which the holders of record of Ordinary Shares or ADSs, as the case may be, are to be determined for the purposes of such action by the Company or one of its Subsidiaries, (ii) the date on which such dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Ordinary Shares or ADSs, as the case may be, of record will be entitled to exchange their Ordinary Shares or ADSs, as the case may be, for securities or other property deliverable upon such dissolution, liquidation or winding-up and (iii) in the case of adjustments described in this Section 4.5(a), (x) a statement of the adjustments to the VWAP of the ADSs as of a relevant date to the extent the occurrence of the event subject of the notice is not reflected in the VWAP of the ADSs as reported by Bloomberg under the "AQR" function (or any successor function) with appropriate settings in DPDF (or any successor pages) for the relevant adjustment(s) and (y) a statement of how such adjustments were calculated. Failure to give such notice, or any defect therein, will not affect the legality or validity of such action by the Company or one of its Subsidiaries, dissolution, liquidation or winding-up.

4.6. Termination of Depositary Receipt Program. If the Ordinary Shares cease to be represented by ADSs issued under a depositary receipt program sponsored by the Company, all references in this Note to the ADSs will be deemed to have been replaced by a reference to the number of Ordinary Shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the Ordinary Shares and as if the Ordinary Shares and the other property had been distributed to holders of the ADSs on that day. In addition, all references to the Last Reported Sale Price of the ADSs will be deemed to refer to the Last Reported Sale Price of the Ordinary Shares, and other appropriate adjustments, including adjustments to the NBV Price, the Conversion Share Price or the Conversion Price, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect on the date of determination will apply.

ARTICLE 5

PUT OPTION

5.1. Redemption for Relevant Event.

5.1.1. Following the occurrence of a Relevant Event (as defined below), the Holder will have the right at such Holder's option to require the Company to redeem all but not some only of such Holder's Note on the Relevant Event Put Date at the Note's outstanding principal amount as at the date of the Relevant Put Exercise Notice. To exercise such right, the Holder must provide to the Registrar a duly filled in and executed notice in the form attached hereto as Exhibit C (a "**Relevant Event Put Exercise Notice**") together with this Note Certificate not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to the Holder by the Company in accordance with Section 11.2. The "**Relevant Event Put Date**" will be the fourteenth day after the expiry of such period of 30 days as referred to above.

5.1.2. A Relevant Event Put Exercise Notice, once delivered, will be irrevocable and may not be withdrawn without the Company's written consent, and the Company will redeem this Note subject of the Relevant Event Put Exercise Notice delivered (subject to delivery of the relevant Note Certificate as aforesaid) on the Relevant Event Put Date.

5.1.3. Not later than 30 days after becoming aware of a Relevant Event, the Company will procure that notice regarding the Relevant Event will be delivered to the Holder specifying the following:

- (i) the Relevant Event Put Date;
- (ii) the date of such Relevant Event and, briefly, the events causing such Relevant Event;
- (iii) the date by which the Relevant Event Put Exercise Notice must be given;
- (iv) the outstanding principal amount of this Note to be redeemed as reflected in the Register;
- (v) the then-current Fixed Price;
- (vi) the procedures that Holder must follow and the requirements that Holder must satisfy in order to exercise the put right or Conversion Right; and

- (vii) that a Relevant Event Put Exercise Notice, once validly given, will be irrevocable and may not be withdrawn without the Company's written consent.

5.1.4. For the purposes of this Article 5, a “**Relevant Event**” occurs when:

- (i) the ADSs (or other common equity or ADSs in respect of common equity underlying this Note) cease to be listed or quoted on any of the Eligible Markets;
- (ii) the suspension from trading of the ADSs on any Eligible Market for a period of 30 consecutive Trading Days, except where such suspension is due to a technological problem with the relevant Eligible Market, as the case may be or where such suspensions were generally applicable and affected all issuers with a class of securities listed on such Eligible Market; or
- (iii) there has been a Change of Control.

5.2. Redemption following exercise of a Put Option. Upon the exercise of the put option specified in Section 5.1, payment of the applicable redemption amount will be conditional upon delivery of this Note Certificate (together with any necessary endorsements) to the Registrar at the place where the Register is kept on any Business Day together with the delivery of any other document(s) required by this Note, and will be made promptly following the later of the Relevant Event Put Date and the time of delivery of this Note Certificate. If the Company holds on the Relevant Event Put Date money sufficient to pay the applicable redemption monies of Note for which notices have been validly delivered (and not withdrawn with the written consent of the Company) in accordance with the provisions hereof upon exercise of such right, then, whether or not this Note Certificate is delivered to the Registrar, on and after the Relevant Event Put Date, (i) such Note will cease to be outstanding; (ii) this Note will be deemed to have been paid; and (iii) all other rights of the Holder will terminate (other than the right to receive the applicable redemption monies).

5.3. Redemption Notices. All redemption notices to the Holder given by or on behalf of the Company pursuant to this Article 5 will be given in accordance with Section 11.2.

ARTICLE 6

NEGATIVE PLEDGE

6.1. So long as any principal amount on this Note remains outstanding, the Company will not, and will ensure that none of its Subsidiaries (as defined below) will, create or have outstanding any Encumbrance upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness of the Company, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness of the Company, without providing at the same time or prior thereto according to this Note (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably or (ii) such other security as will be approved by the Holder.

In this Article 6:

- (i) any reference to an “**Encumbrance**” is to a mortgage, charge, pledge, lien or other security interest securing any obligation of any person;

(ii) any reference to “**Relevant Indebtedness**” is to any indebtedness that is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, certificates of deposit or other similar securities or instruments which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market; and

Any reference to a “**Subsidiary**” of the Company in this [Article 6](#) is to any company or other business entity of which the Company owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of the Company or which, under the law, regulations or U.S. GAAP from time to time, should have its accounts consolidated with those of the Company.

ARTICLE 7

CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

7.1. Company May Consolidate, Etc. on Certain Terms. Subject to the provisions of [Section 7.2](#), the Company will not consolidate with, merge with or into, or sell, convey, transfer or lease all or substantially all of its properties and assets to another Person, unless:

(a) the resulting, surviving or transferee Person (the “**Successor Company**”), if not the Company, will be a corporation organized and existing under the laws of the United States of America, any State thereof, the District of Columbia, the Cayman Islands, the British Virgin Islands, Bermuda or Hong Kong and the Successor Company (if not the Company) will expressly assume, by a duly executed amendment delivered to the Holder and satisfactory in form to the Holder, all of the obligations of the Company under this Note;

(b) such transaction constitutes a Change of Control;

(c) immediately after giving effect to such transaction, no default or Event of Default will have occurred and be continuing under this Note; and

(d) the Company has delivered to the Holder at or prior to the effective time of such transaction a certificate addressed to the Holder signed by a director of the Company confirming that such transaction complies with this [Section 7.1](#).

For purposes of this [Section 7.1](#), the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of one or more Subsidiaries of the Company to another Person, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, will be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Company to another Person.

7.2. Successor Corporation to Be Substituted. In case of any such consolidation, merger, sale, conveyance, transfer or lease and upon the assumption by the Successor Company, by a duly executed amendment delivered to the Holder and satisfactory in form to the Holder, of the due and punctual payment of the principal of and accrued and unpaid Default Interest on this Note, the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of this Note and the due and punctual performance of all of the covenants and conditions of this Note to be performed by the Company, such Successor Company (if not the Company) will succeed to and, except in the case of a lease of all or substantially all of the Company’s properties and assets, will be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such Successor Company thereupon may cause this Note to be signed and re-issued in its own name. This Note as so re-issued will in all respects have the same legal rank and benefit as though it had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance or transfer (but not in the case of a lease), upon compliance with this [Article 7](#) the Person named as the “Company” in the first paragraph of this Note (or any successor that will thereafter have become such in the manner prescribed in this [Article 7](#)) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person will be released from its liabilities as obligor and maker of this Note and from its obligations under this Note.

In case of any such consolidation, merger, sale, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in this Note thereafter to be re-issued as may be appropriate.

ARTICLE 8

NO RIGHTS AS SHAREHOLDER PRIOR TO CONVERSION

For the avoidance of doubt, the Holder hereby acknowledges and agrees that it has not been conferred with any of the rights of a shareholder of the Company, including the right to vote as such, by any of the provisions hereof or any right (a) to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, (b) to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of shares, reclassification of shares, change of par value, or change of shares to no par value, consolidation, merger, scheme of arrangement, conveyance, or otherwise), (c) to receive notice of meetings or to receive in-kind dividends or subscription rights or otherwise, and that it will have no such rights until this Note will have been converted in whole and all ADSs issuable upon the whole conversion hereof will have been issued, as provided for in this Note.

ARTICLE 9

NOTE TRANSFERS AND CANCELLATIONS

9.1. **Register.** The Company will maintain or cause to be maintained at its principal executive offices (or such other office or place designated by the Company and notified to the Holders at least five Business Days prior to the effective date of such designation), a register (the “**Register**”) for this Note in which the Company (or an agent designated by the Company and notified to the Holders at least five Business Days prior to the effective date of such designation) will act as registrar (the “**Registrar**”). The Registrar will maintain and keep the Register open for recording during business hours on Business Days and record in the Register the name and address of the Holder in whose name this Note has been issued (including the name and address of each transferee) and the outstanding principal amount of the Note held by such Holder.

9.2. **Registration of Transfers and Exchanges.** Prior to due presentment for transfer to the Registrar of this Note Certificate, the Company and the Registrar may treat the Holder in whose name this Note is duly registered on the Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, including determination of the outstanding principal amount, whether or not this Note is overdue, and neither the Company nor any such Registrar will be affected by notice to the contrary. This Note may be assigned or sold in whole or in part only by registration of such assignment or sale on the Register. Upon its receipt of (i) a duly filled in and executed Note transfer request in the form attached as Exhibit D (a “**Transfer Notice**”) to assign or sell all or part of this Note by the Holder and this Note Certificate and (ii) delivery of this Note Certificate (together with any necessary endorsements) to the Registrar at the place where the Register is kept on any Business Day together with the delivery of any other document(s) required by this Note, the Registrar will record the information contained therein in the Register and the Registrar will issue or cause to be issued one or more new Note Certificates in the same aggregate principal amount as the outstanding principal amount of the surrendered Note Certificate to the designated assignee or transferee.

9.3. Lost or Mutilated Note. If this Note Certificate is mutilated, lost, stolen or destroyed, the Registrar will execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note Certificate, or in lieu of or in substitution for a lost, stolen or destroyed Note Certificate, a new Note Certificate for the outstanding principal amount of the Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note Certificate, and of the ownership hereof, reasonably satisfactory to the Company and Registrar, including such indemnity or opinion of legal counsel of good repute as the Company and Registrar may require.

9.4. Cancellation. After all amounts at any time owing on this Note have been paid in full or upon the conversion of this Note in full pursuant to Article 3, this Note Certificate will be surrendered to the Registrar for cancellation and will not be reissued.

ARTICLE 10

NO REDEMPTION

This Note will not be redeemable by the Company prior to the Maturity Date, and no sinking fund is provided for this Note.

ARTICLE 11

MISCELLANEOUS

11.1. Termination of Rights. All rights under this Note will terminate when (a) all amounts at any time owing on this Note have been paid in full or (b) this Note is converted in full pursuant to the terms set forth in Article 3.

11.2. Amendments and Waivers; Notice. The amendment or waiver of any term of this Note will be subject to the written consent of the Holder and the Company.

All notices, requests, claims, demands and other communications hereunder will be in writing and will be deemed duly given, made or received (i) on the date of delivery if delivered in person, (ii) on the date of confirmation of receipt of transmission by facsimile or other form of electronic delivery (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party) or (iii) three Business Days after deposit with an internationally recognized express courier service to the respective parties hereto at the following addresses (or at such other address for a person as will be specified in a notice given in accordance with this Section 11.2):

following addresses (or at such other address for a person as will be specified in a notice given in accordance with this Section 11.2):

If to the Company, to:

ICLICK INTERACTIVE ASIA GROUP LIMITED

Address: ***

Attention: ***

Facsimile: ***

Email: ***

If to the Purchaser as Holder, to:

LIM Asia Multi-Strategy Fund Inc.

c/o LIM Advisors Limited

Address: ***

Attention: ***

Facsimile: ***

Email: ***

If to the Registrar, to:

ICLICK INTERACTIVE ASIA GROUP LIMITED

Address: ***

Attention: ***

Facsimile: ***

Email: ***

If to the Holder other than the Purchaser, to the address provided to the Company in writing when such person became a Holder.

11.3. Claims in respect of amounts due in respect of this Note will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of Default Interest) from the relevant due date in respect thereof.

11.4. Governing Law; Submission to Arbitration.

(a) THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

(b) Any dispute, controversy, difference or claim arising out of or relating to this Note, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it will be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (“**HK**IA**C**”) under the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted. The seat of arbitration will be Hong Kong. The

official language of the arbitration will be English and the arbitration tribunal will consist of three arbitrators (each, an “**Arbitrator**”). The claimant will nominate one Arbitrator; the respondent will nominate one Arbitrator; and a third Arbitrator will be nominated jointly by the first two Arbitrators and will serve as chairman of the arbitration tribunal.

(c) Any party may seek interim injunctive relief, provisional rulings or other interim relief from a court of competent jurisdiction, both before and after the Arbitrators have been appointed, at any time up until the arbitrators have made their final award.

(d) The award rendered by the arbitral tribunal will be final and binding on the parties. Judgment on the award may be entered in any court of competent jurisdiction.

11.5. Delays or Omissions. No delay or failure by any party to insist on the strict performance of any provision of this Note, or to exercise any power, right or remedy, will be deemed a waiver or impairment of such performance, power, right or remedy or of any other provision of this Note, nor will it be construed to be a waiver of any breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring.

11.6. Interpretation. If any claim is made by the Company or the Holder relating to any conflict, omission or ambiguity in the provisions of this Note, no presumption or burden of proof or persuasion will be implied because this Note was prepared by or at the request of the Company, the Holder or their respective counsel or adviser.

11.7. Provisions Binding on Company’s Successors. All the covenants, stipulations, promises and agreements of the Company or the Holder contained in this Note will bind their respective successors and assigns whether so expressed or not.

11.8. Official Acts by Successor Corporation. Any act or proceeding by any provision of this Note authorized or required to be done or performed by any board, committee or officer of the Company will and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that will at the time be the lawful sole successor of the Company.

11.9. Force Majeure. In no event will the Company be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Company will use reasonable efforts to resume performance as soon as practicable under the circumstances.

11.10. Calculations. Except as otherwise provided herein, the Company or its agent will be responsible for making all calculations called for under this Note. These calculations include, but are not limited to, VWAP, the ADS Ratio, the Last Reported Sale Price of the ADSs, the NBV Price, the Conversion Share Price, the Conversion Price, the Reference Conversion Price, the Cash Alternative Amount, the Fixed Price and any adjustment, including the determination of whether an adjustment needs to be made, under this Note. The Company or its agent will make all these calculations in good faith and, absent manifest error, the Company’s or its agent’s calculations will be final and binding on the Holder. In the event these calculations are made by the Company, and not a third party, and the Holder makes an assertion

in good faith that there is manifest error in such calculations, the Company will request an Independent Investment Bank to make such calculations.

11.11. No Withholding. All payments and deliveries made by, or on behalf of, the Company or any successor to the Company under or with respect to this Note, including, but not limited to, payments of principal (including, if applicable, the redemption monies and the Cash Alternative Amount), and deliveries of ADSs (together with payments of cash for any Fractional ADS) upon any conversion of this Note, will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company or any successor to the Company is, for tax purposes, organized or resident or doing business or through which payment is made or deemed made (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by Law or by regulation or governmental policy having the force of law.

[The remainder of this page has been deliberately left blank]

SCHEDULE

**Schedule of Outstanding Principal Amount of this Note
in respect of which this Note Certificate is issued**

The following reductions in the principal amount of this Note in respect of which this Note Certificate is issued have been made as a result of partial conversions in respect of this Note:

Date of Conversion Notice	Amount of decrease in Principal Amount of this Note Certificate due to conversion	Date of decrease in Principal Amount of this Note Certificate	Outstanding Principal Amount of this Note Certificate following such decrease after conversion	Signature of the Registrar; Notation made by or on behalf of the Company
----------------------------------	--	--	---	---

IN WITNESS WHEREOF, the Company has caused this Note Certificate to be issued on the date first above written.

COMPANY:

iClick Interactive Asia Group Limited

By: /s/ Wing Hong Sammy Hsieh
(Signature)

Name: Wing Hong Sammy Hsieh
Title: CEO & Chairman

[Signature Page to Convertible Note]

Exhibit A

[FORM OF CONVERSION NOTICE]

[Date]

To: iClick Interactive Asia Group Limited (the “Company”)

RE: MANDATORY CONVERTIBLE NOTE DUE 2023 (the “Note”)

The undersigned Holder of the Note hereby irrevocably elects to convert US\$[•] in principal amount of the Note into American depositary shares (“ADs”) of the Company pursuant to the conditions set forth in such Note.

Date of Conversion: [date]

Holder Bank Account for any payments pursuant to the Note:

[Holder Bank Account Details]

We desire all of such Ordinary Shares represented by the ADs to be registered in our name and hereby authorize the entry of our name in the register of ADs in respect thereof and the dispatch of ADs certificates therefor to [Name of Holder] at:

[Name of the Holder]

[Address of the Holder]

We represent that the undersigned Holder of the Note and any person for which the Holder is holding on behalf of (i) is not a U.S. person and is located outside of the United States, as such terms are defined in Rule 902 of Regulation S under the Securities Act and (ii) has held the Note for more than 40 days.

We further represent that the undersigned Holder of the Note and any person for which the Holder is holding on behalf of is: [check relevant boxes]

(i) an Affiliate* of the Company as defined under Rule 405 of the U.S. Securities Act of 1933, as amended

Yes No

(ii) a director or officer of the Company

Yes No

(iii) directly or indirectly owns at least 10% of any class of equity security of the Company.

Yes No

Exhibit A-1

[NAME OF HOLDER]

By: _____
Name:
Capacity:

[As of August 31, 2018, under Rule 405 of the U.S. Securities Act of 1933, as amended, an “affiliate” of or person “affiliated” with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified. “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of management and the policies of a person, whether through the ownership of voting securities, by contract, or otherwise.]*

Exhibit A-2

Exhibit B

[FORM OF CASH ALTERNATIVE ELECTION NOTICE]

[Date]

To: [name of Holder]

[address of Holder]

RE: MANDATORY CONVERTIBLE NOTE DUE 2023 (the "Note")

iClick Interactive Asia Group Limited (the "Company") hereby gives notice to you that it is making an election (the "Cash Alternative Election") to satisfy the exercise of your conversion right in respect of the relevant principal amount of the Note subject of a conversion notice dated [insert month/day/year], in whole and not in part, by making payment to you of the cash alternative amount as provided in Section 3.7 of the Note.

Dated: _____

iClick Interactive Asia Group Limited

By: _____

Name:

Capacity:

Exhibit C

[FORM OF RELEVANT EVENT PUT OPTION NOTICE]

[Date]

To: iClick Interactive Asia Group Limited

The undersigned Holder of the Note hereby (1) acknowledges receipt of a notice from iClick Interactive Asia Group Limited (the "Company") regarding the right of the Holder to elect to require the Company to repurchase the entire outstanding principal amount of the Note as of [month/day/year] of US\$[outstanding principal amount] and (2) requests and instructs the Company to pay to the Holder in accordance with Article 5 of the Note the entire outstanding principal amount of the Note as the redemption monies into the following bank account:

[Holder Bank Account Details]

[NAME OF HOLDER]

By: _____

Name:

Capacity:

Exhibit D

[FORM OF TRANSFER NOTICE]

To: iClick Interactive Group Limited

Reference is made to the certificate evidencing mandatory convertible note due 2023 (the "Note Certificate") issued on [month/day/year of Note issue date] issued to the undersigned by iClick Interactive Asia Group Limited (the "Company"). Capitalized terms used herein and not otherwise defined will have the respective meanings set forth in the Note Certificate.

FOR VALUE RECEIVED, US\$[] principal amount of the foregoing Note and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

Facsimile number:

_____.

Dated: _____, _____

Holder's Signature: _____

EXHIBIT B

FORM OF LOCK-UP LETTER

September 10, 2018

LIM ASIA MULTI-STRATEGY FUND INC.
c/o LIM Advisors Limited
19/F, Ruttonjee House
11 Duddell St, Central, Hong Kong

Ladies and Gentlemen:

The undersigned understands that LIM Asia Multi-Strategy Fund Inc. (“**Purchaser**”) proposes to enter into a Purchase Agreement (the “**Purchase Agreement**”) with iClick Interactive Group Limited (the “**Company**”), in relation to the purchase and sale of \$30 million mandatory convertible notes due 2023 (the “**Notes**”). The Notes will be convertible into the American depository shares (“**ADSs**”), each initially representing the right to receive two ordinary shares, par value US\$0.001 per share, of the Company (the “**Ordinary Shares**”).

The undersigned hereby irrevocably agrees that, without the prior written consent of CLSA Limited, it will not, during the period commencing on the date hereof and ending 90 days after September 12, 2018 (the “**Lock-up Period**”), (i) directly or indirectly, offer, sell, pledge, contract to sell, announce the intention to sell, issue, lend, grant or purchase any option, right or warrant for the sale of, or otherwise dispose of or transfer, any ADSs, Ordinary Shares underlying the ADSs or any securities convertible into or exercisable or exchangeable for ADSs or Ordinary Shares (the “**Lock-up Securities**”), (ii) file or publicly disclose its intention to file any registration statement under the U.S. Securities Act of 1933, as amended, with respect to any of the foregoing, or (iii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-up Securities, whether any such swap or transaction described in clause (i), (ii) or (iii) above is to be settled by delivery of the Lock-up Securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the issuance of share options pursuant to the Company’s stock option plan adopted in 2010, the Company’s share incentive plan adopted in 2017 or other employee incentive plan to be adopted by the Company in the future, or (B) the issuance of the Ordinary Shares and ADSs upon the exercise of share options issued by the Company pursuant to the Company’s stock option plan adopted in 2010, the Company’s share incentive plan adopted in 2017 or other employee incentive plan to be adopted by the Company in the future.

This Lock-up Letter shall terminate upon the expiration of the Lock-up Period or in the event that there is no delivery of, and payment for, the Notes pursuant to the Purchase Agreement.

Yours very truly,

Name:

AMENDMENT NO. 1 TO THE MANDATORY CONVERTIBLE NOTE DUE 2023 DATED SEPTEMBER 12, 2018

Amendment No. 1 dated December 18, 2018 (“**Amendment No. 1**”) to the Mandatory Convertible Note due 2023 dated September 12, 2018 (the “**Note**”) issued by iClick Interactive Asia Group Limited, a Cayman Islands company (the “**Company**”) to LIM Asia Multi-Strategy Fund Inc., a British Virgin Islands entity (such party and any permitted transferee, in whole or in part, a “**Holder**”), pursuant to, and in accordance with, the Convertible Note Purchase Agreement, dated September 10, 2018 by and among the Company and the Holder. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Note.

RECITALS

WHEREAS, Section 11.2 of the Note provides that the amendment of any term of the Note will be subject to the written consent of the Holder and the Company; and

WHEREAS, the Holder has requested and the Company has agreed, consistent with the provisions of Section 11.2 of the Note, to amend the Note as set forth herein;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Holder and the Company (each a “**party**” and collectively the “**parties**”) hereby agree as follows:

1. Amendment to Section 3.3. Section 3.3 of the Note is hereby deleted in its entirety and replaced to read as follows:

“3.3. Conversion Price. Subject to adjustments as provided in Sections 4.2 and 4.3, the price at which ADSs will be delivered upon conversion (the “**Conversion Price**”) will be the U.S. dollar amount equal to 0.92 (the “**Fixed Discount**”) times the lowest of:

(i) the VWAP of the ADSs over the period from and including the Original Issue Date to and including the Trading Day immediately preceding the Conversion Date;

(ii) the VWAP of the ADSs over the five Trading Day-period including the Trading Day immediately preceding the Conversion Date and the four Trading Days preceding such Trading Day immediately preceding the Conversion Date; and

(iii) the fixed price of US\$8.00 (the “**Fixed Price**”), subject to adjustments as provided in Article 4.

Provided, however, that if the Conversion Price calculated using the above formula is higher than the U.S. dollar amount calculated by multiplying the Fixed Discount times the VWAP of the ADSs over the period from and including the Receipt Confirmation Date to and including the date of delivery of the ADSs to the converting Holder (the “**Reference Conversion Price**” and such period, the “**Reference Conversion Price Period**”), then the Conversion Price will be deemed to be the “**Reference Conversion Price**” and an additional number of ADSs will be delivered to the converting Holder as soon as reasonably practicable and no later than five Business Days from the end of the Reference Conversion Price Period, such that the total number of ADSs delivered to such converting Holder will be equal to the total number of ADSs that would have been deliverable had the number of ADSs initially delivered to the converting Holder been calculated using the Reference Conversion Price. Notwithstanding the foregoing, in no event will the Conversion Price or the Reference Conversion Price be less than US\$2.78 (the “**NBV Price**”), subject to adjustments as provided in Article 4.

In all calculations of the Conversion Price, if the relevant Conversion Notice is delivered to the Company on a day that is not a Trading Day, the Conversion Notice will be deemed to have been delivered on the next day that is a Trading Day.”

2. Amendment to Section 3.7. Section 3.7 of the Note is hereby deleted in its entirety and replaced to read as follows:

“3.7 Cash Alternative Election.

If the VWAP of the ADSs on the Trading Day immediately preceding the Conversion Date is lower than the VWAP of the ADSs on the Original Issue Date, upon receiving a Conversion Notice, the Company may, at its sole option, make an election (the “**Cash Alternative Election**”) to satisfy the exercise of the Conversion Right in respect of such Conversion Notice, in whole and not in part, by paying the Cash Alternative Amount to such converting Holder. The Company will inform the Holder of its exercise of the Cash Alternative Election by giving notice to the Holder in the form attached hereto as Exhibit B (the “**Cash Alternative Election Notice**”) within two Business Days after the Receipt Confirmation Date.

The “**Cash Alternative Amount**” is an amount in U.S. dollars equal to the principal amount to be converted pursuant to the relevant Conversion Notice divided by 0.92.

The Company will pay the Cash Alternative Amount within seven Business Days after the relevant Receipt Confirmation Date.”

3. Effectiveness and Counterparts. This Amendment No. 1 shall become effective as of the date hereof upon execution by the parties hereto and shall be attached to the Note Certificate issued on September 12, 2018. This Amendment No. 1 may be executed in any number of counterparts, each of which shall constitute an original but both of which when taken together shall constitute but one agreement.

4. Governing Law; Submission to Arbitration.

(a) This Amendment No. 1 shall be governed by and construed in accordance with the law of the State of New York.

(b) Any dispute, controversy, difference or claim arising out of or relating to this Amendment No. 1, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it will be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (“**HKIAC**”) under the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted. The seat of arbitration will be Hong Kong. The official language of the arbitration will be English and the arbitration tribunal will consist of three arbitrators (each, an “**Arbitrator**”). The claimant will nominate one Arbitrator; the respondent will nominate one Arbitrator; and a third Arbitrator will be nominated jointly by the first two Arbitrators and will serve as chairman of the arbitration tribunal.

(c) Any party may seek interim injunctive relief, provisional rulings or other interim relief from a court of competent jurisdiction, both before and after the Arbitrators have been appointed, at any time up until the arbitrators have made their final award.

(d) The award rendered by the arbitral tribunal will be final and binding on the parties. Judgment on the award may be entered in any court of competent jurisdiction.

5. Amendments. Except as specifically amended hereby, the Note shall continue in full force and effect in accordance with the provisions thereof. All references in any other agreement or document to the Note shall, on and after the date hereof, be deemed to refer to the Note as amended hereby. Any Note Certificate to be issued pursuant to Article 9 of the Note subsequent to the date hereof shall include Sections 3.3 and 3.7 of the Note as amended hereby.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Amendment No. 1 as of the date first above written.

ICLICK INTERACTIVE ASIA GROUP LIMITED

By: /s/ Sammy Hsieh Wing Hong
Name: Sammy Hsieh Wing Hong
Title: Chairman and CEO

LIM ASIA MULTI-STRATEGY FUND INC.

By: /s/ ***
Name: ***
Title: Director

Acknowledged as of the date hereof:
ICLICK INTERACTIVE ASIA GROUP LIMITED
acting as Note registrar

By: /s/ Terence Li
Name: Terence Li

List of Subsidiaries of iClick Interactive Asia Group Limited

Name	Subsidiaries	Place of Incorporation
Optimix Media Asia Limited	100%	Hong Kong
iClick Interactive Asia Limited	100%	Hong Kong
Digital Marketing Group Limited	100%	Hong Kong
Tetris Media Limited	100%	Hong Kong
iClick Interactive (Singapore) Pte. Ltd.	100%	Singapore
Performance Media Group Limited	100%	Hong Kong
iClick Interactive (Beijing) Advertisement Co., Ltd	100%	People's Republic of China
Tetris Media (Shanghai) Co., Ltd.	100%	People's Republic of China
Diablo Holdings Corporation	100%	British Virgin Islands
Harmattan Capital Holdings Corporation	100%	British Virgin Islands
China Search (Asia) Limited	100%	Hong Kong
Search Asia Technology (Shenzhen) Co., Ltd.	100%	People's Republic of China
OptAim Limited	100%	Cayman Islands
OptAim (HK) Limited	100%	Hong Kong
OptAim (Beijing) Information Technology Co., Ltd.	100%	People's Republic of China
Anhui Zhiyunzhong Information Technology Co., Ltd.	100%	People's Republic of China
Beijing OptAim Network Technology Co., Ltd.	100% ⁽¹⁾	People's Republic of China
Zhiyunzhong (Shanghai) Technology Co., Ltd.	100% ⁽²⁾	People's Republic of China
Shanghai Myhayo Technology Co., Ltd.	40% ⁽²⁾	People's Republic of China
Anhui Myhayo Technology Co., Ltd.	40% ⁽²⁾	People's Republic of China
i-Click Interactive Taiwan Limited Taiwan Branch	100% ⁽³⁾	Taiwan

(1) VIE.

(2) VIE's subsidiary.

(3) Subsidiary's branch.

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Wing Hong Sammy Hsieh, certify that:

1. I have reviewed this annual report on Form 20-F of iClick Interactive Asia Group Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2019

By: /s/ Wing Hong Sammy Hsieh

Name: Wing Hong Sammy Hsieh

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Terence Li, certify that:

1. I have reviewed this annual report on Form 20-F of iClick Interactive Asia Group Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2019

By: /s/ Terence Li
Name: Terence Li
Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of (the "Company") on Form 20-F for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wing Hong Sammy Hsieh, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2019

By: /s/ Wing Hong Sammy Hsieh
Name: Wing Hong Sammy Hsieh
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of iClick Interactive Asia Group Limited (the "Company") on Form 20-F for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terence Li, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2019

By: /s/ Terence Li
Name: Terence Li
Title: Chief Financial Officer



Office: +852 2801 6066
Mobile: +852 9718 8740
Email: rthorp@tta.lawyer

iClick Interactive Asia Group Limited
15/F Prosperity Millennia Plaza
663 King's Road
Quarry Bay
Hong Kong S.A.R.

25 April 2019

Dear Sirs,

iClick Interactive Asia Group Limited

We have acted as legal advisers as to the laws of the Cayman Islands to iClick Interactive Asia Group Limited, a Cayman Islands exempted company incorporated with limited liability (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 31 December 2018 ("**Form 20-F**").

We hereby consent to the reference of our name under the headings, "Item 10.E Additional Information—Taxation—Cayman Islands Taxation" in the Form 20-F, and further consent to the incorporation by reference of the summaries of our opinions under these captions into iClick Interactive Asia Group Limited's registration statement on Form S-8 (File No. 333-225568) that was filed on 12 June 2018 and Form S-8 (File No. 333- 227747) that was filed on 9 October 2018.

Yours faithfully

/s/ Travers Thorp Alberga

TRAVERS THORP ALBERGA

Tel: +852 2801 6066 1205A The Centrium
Fax: +852 2801 6767 60 Wyndham Street
www.traversthorpalberga.com Central HONG KONG
Cayman Islands & British Virgin Islands Attorneys-at-Law
Resident Hong Kong Partners: Anthony Travers
Richard Thorp, Jos Briggs, Anna Peccarino

競天公誠律師事務所
JINGTIAN & GONGCHENG

北京市朝阳区建国路 77 号华贸中心 3 号写字楼 34 层 邮编: 100025
电话: (86-10) 5809-1000 传真: (86-10) 5809-1100

April 25, 2019

iClick Interactive Asia Group Limited
15/F, Prosperity Millennia Plaza
663 King's Road, Quarry Bay
Hong Kong S.A.R., People's Republic of China

Dear Sir/Madam:

We consent to the reference to our firm under the headings “Item 3. Key Information — D. Risk Factors—Risks Related to Our Corporate Structure” “Item 4. Information On the Company — B. Business Overview — Regulation — Regulations on Foreign-related Surveys Measures” “Item 4. Information On the Company — C. Organizational Structure” in the Annual Report of iClick Interactive Asia Group Limited on Form 20-F for the year ended December 31, 2018, which will be filed with the Securities and Exchange Commission in the month of April 2019.

In giving such consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Jingtian & Gongcheng
Jingtian & Gongcheng

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-225568, and No. 333-227747) of iClick Interactive Asia Group Limited of our report dated April 25, 2019 relating to the consolidated financial statements, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers
Hong Kong
April 25, 2019
