

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

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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

For the transition period from _____ to _____

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: 001-34738

Luokung Technology Corp.

(Exact name of Registrant as specified in its charter)

Not applicable

(Translation of Registrant's name into English)

British Virgin Islands

(Jurisdiction of incorporation or organization)

LAB 32, SOHO 3Q, No 9, Guanghua Road, Chaoyang District, Beijing
People's Republic of China, 100020

(Address of principal executive offices)

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People's Republic of China 100020

Tel: (86) 10-85866721

(Name, telephone, Email 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
Ordinary shares, par value \$0.01 per share	None
Preferred shares, par value \$0.01 per share	None

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. 197,632,558 Ordinary Shares, including 1,685,000 Ordinary Shares represented by 1,685,000 American Depositary Shares, and 1,000,000 Preferred Shares outstanding as of December 31, 2018.

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an "emerging growth company." See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares 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

In this annual report:

- References to the “Company”, “we”, “our” and “us” are to Luokung Technology Corp. and its consolidated subsidiaries, subsidiaries controlled by contract and variable interest entities, except as the context otherwise requires;
- References to an “ADS” are to an American Depositary Share, each of which represented one of our Ordinary Shares with a par value of \$.01 per share;
- References to a particular “fiscal” year, such as “fiscal 2018”, are to our fiscal year ended on December 31, of that year.

Special Note Regarding Forward-looking Statements

This annual report contains forward-looking statements that involve risks and uncertainties. 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 these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our future business development, results of operations and financial condition;
- expected changes in our net revenues and certain cost or expense items;
- our ability to attract and retain customers; and
- trends and competition in the spatial-temporal big-data processing and interactive location-based services market.

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.

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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.

Luokung Technology Corp. and its consolidated subsidiaries (“Luokung Technology”, “we”, “us”, or “the Company”) consummated an asset exchange agreement pursuant to which we exchanged our existing assets with those of C Media Limited (the “Asset Exchange”) on August 17, 2018, and we changed our name from Kingtone Wirelessinfo Solution Holding Ltd. to our current name on August 20, 2018.

On October 4, 2018, in connection with the consummation of the Asset Exchange, we changed our fiscal year end from September 30 to December 31.

The selected financial data for the fiscal years ended December 31, 2018, 2017 and 2016 have been derived from our audited consolidated financial statements. The selected consolidated financial data should be read in conjunction with our audited financial statements and the accompanying notes and “Item 5 – Operating and Financial Review and Prospects.” Our consolidated financial statements are prepared and presented in accordance with United States generally accepted accounting principles, or U.S. GAAP. Our historical results do not necessarily indicate our results expected for any future periods. You should not view our historical results as an indicator of our future performance.

SELECTED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS DATA
(IN U.S. DOLLARS)

	For the years ended December 31,		
	2018	2017	2016
Revenues	\$ 21,042,363	\$ 26,082,417	\$ 5,233,145
Less: Cost of revenues	6,938,063	5,547,779	6,315,504
Less: Operating expenses:			
Selling and marketing	14,695,165	23,908,733	6,209,804
General and administrative	6,750,417	2,451,249	2,108,854
Research and development	3,478,570	1,046,198	2,882,202
Total operating expenses	24,924,152	27,406,180	11,200,860
Loss from operations	(10,819,852)	(6,871,542)	(12,283,219)
Total other income (expense), net	(1,033,675)	61,088	(765,812)
Loss before income taxes	(11,853,527)	(6,810,454)	(13,049,031)
Income taxes	(74,009)	-	-
Net loss	\$ (11,927,536)	\$ (6,810,454)	\$ (13,049,031)
Other comprehensive income:			
Foreign currency translation adjustment	447,246	90,671	387,375
Total comprehensive loss	\$ (11,480,290)	\$ (6,719,783)	\$ (12,661,656)
Net loss per ordinary share, basic and diluted	\$ (0.16)	\$ (6,810,454)	\$ (13,049,031)
Weighted average number of ordinary shares outstanding, basic and diluted	72,919,624	1	1

SELECTED CONSOLIDATED BALANCE SHEETS DATA
(IN U.S. DOLLARS)

	As of December 31,	
	2018	2017
Accounts receivable, net of allowance for doubtful accounts	22,661,594	9,729,625
Amounts due from related parties	4,935,698	11,760,692
Property and equipment, net	898,007	5,044,872
Intangible assets	52,763,998	1,154,197
Goodwill	11,728,600	7,239,936
TOTAL ASSETS	97,079,401	37,582,858
Accounts payable	758,386	2,932,158
Accrued liabilities and other payables	28,239,477	16,488,866
Total liabilities	33,978,642	25,311,113
Total Shareholders' Equity	63,100,759	12,271,745

B. CAPITALIZATION AND INDEBTEDNESS.

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS.

Not applicable.

D. RISK FACTORS.

An investment in our ADSs and ordinary shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all other information contained in this annual report, including the matters discussed under “Special Note Regarding Forward-Looking Statements,” before you decide to invest in our ADSs or ordinary shares. You should pay particular attention to the fact that we are a holding company with substantial operations in China and are subject to legal and regulatory environments that in many respects differ from those of the United States. If any of the following risks, or any other risks and uncertainties that are not presently foreseeable to us, actually occur, our business, financial condition, results of operations, liquidity and our future growth prospects would be materially and adversely affected. You should also consider all other information contained in this annual report before deciding to invest in our ADSs or ordinary shares.

Risks Related to Our Company and Our Industry

The Company had incurred negative cash flows from operating activities and net losses as of December 31, 2018. These matters raise substantial doubt about the Company's ability to continue as a going concern.

The Company's consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of and for the year ended December 31, 2018, the Company had incurred significant operating losses and working capital deficit. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

We may undertake acquisitions, investments, joint ventures or other strategic alliances, which could have a material adverse effect on our ability to manage our business. In addition, such undertakings may not be successful.

Our strategy includes plans to grow both organically and through acquisitions, participation in joint ventures or other strategic alliances. Joint ventures and strategic alliances may expose us to new operational, regulatory and market risks, as well as risks associated with additional capital requirements. We may not be able, however, to identify suitable future acquisition candidates or alliance partners. Even if we identify suitable candidates or partners, we may be unable to complete an acquisition or alliance on terms commercially acceptable to us. If we fail to identify appropriate candidates or partners, or complete desired acquisitions, we may not be able to implement our strategies effectively or efficiently.

In addition, our ability to successfully integrate acquired companies and their operations may be adversely affected by several factors. These factors include:

1. diversion of management's attention;
2. difficulties in retaining customers of the acquired companies;
3. difficulties in retaining personnel of the acquired companies;
4. entry into unfamiliar markets;
5. unanticipated problems or legal liabilities; and
6. tax and accounting issues.

If we fail to integrate acquired companies efficiently, our earnings, revenue growth and business could be negatively affected.

Due to intense competition for highly-skilled personnel, we may fail to attract and retain enough sufficiently trained employees to support our operations; our ability to bid for and obtain new projects may be negatively affected and our revenues could decline as a result.

The IT industry relies on skilled employees, and our success depends to a significant extent on our ability to attract, hire, train and retain qualified employees. There is significant competition in China for professionals with the skills necessary to develop the products and perform the services we offer to our customers. Increased competition for these professionals, in the mobile application design area or otherwise, could have an adverse effect on us if we experience significant increase in the attrition rate among employees with specialized skills, which could decrease our operating efficiency and productivity and could lead to a decline in demand for our services.

In addition, our ability to serve existing customers and business partners and obtain new business will depend, in large part, on our ability to attract, train and retain skilled personnel that enable us to keep pace with growing demands for spatial-temporal big-data processing and interactive location-based services, evolving industry standards and changing customer preferences. Our failure to attract, train and retain personnel with the qualifications necessary to fulfill the needs of our existing and future customers or to assimilate new employees successfully could have a material adverse effect on our business, financial condition and results of operations. Our failure to retain our key personnel on business development or find suitable replacements of the key personnel upon their departure may lead to shrinking new implementation projects, which could materially adversely affect our business.

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Our business depends substantially on the continuing efforts of our senior executives and other key personnel, and our business may be severely disrupted if we lose their services.

Our future success heavily depends upon the continued services of our senior executives and other key employees, particularly since we recently appointed a new Chairman. We are reliant on the services of Mr. Xuesong Song, our Chairman, Chief Executive Officer and member of our board of directors. If one or more of our senior executives or key employees is unable or unwilling to continue in his or her present position, we may not be able to replace such employee easily, or at all, we may incur additional expenses to recruit, train and retain replacement personnel, our business may be severely disrupted, and our financial condition and results of operations may be materially adversely affected.

Our business could suffer if our executives and directors compete against us and our non-competition agreements with them cannot be enforced.

If any of our senior executives or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members to them. Also, if any of our business development managers who keep a close relationship with our customers and business partners joins a competitor or forms a competing company, we may lose customers, and our revenues may be materially adversely affected. Most of our executives have entered, or will soon enter, into employment agreements with us that contain or will contain non-competition provisions. However, if any dispute arises between our executive officers and us, such non-competition provisions may not be enforceable, especially in China, where all of these executive officers and key employees reside, in light of the uncertainties with China's legal system. See "Risk Factors — Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system could adversely affect us."

Our computer networks may be vulnerable to security risks that could disrupt our services and adversely affect our results of operations.

Our computer networks may be vulnerable to unauthorized access, computer hackers, computer viruses and other security problems caused by unauthorized access to, or improper use of, systems by third parties or employees. A hacker who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. Computer attacks or disruptions may jeopardize the security of information stored in and transmitted through computer systems and mobile devices of our customers. Actual or perceived concerns that our systems may be vulnerable to such attacks or disruptions may deter customers from using our services. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches, which could adversely affect our results of operations.

If we do not continually enhance our solutions and service offerings, we may have difficulty in retaining existing customers and attracting new customers.

We believe that our future success will depend, to a significant extent, upon our ability to enhance our existing technologies, applications and platform, and to introduce new features to meet the preferences and requirements of our customers in a rapidly developing and evolving market. Unexpected technical, operational, distribution or other problems could delay or prevent the introduction of one or more of these products or services, or any products or services that we may plan to introduce in the future. Our present or future products may not satisfy the evolving preferences and tastes of our customers, and these solutions and services may not achieve anticipated market acceptance or generate incremental revenue. If we are unable to anticipate or respond adequately to the need for service or product enhancements due to resource, technological or other constraints, our business, financial condition and results of operations could be materially and adversely affected.

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If we are unable to develop competitive new products and service offerings our future results of operations could be adversely affected.

Our future revenue stream depends to a large degree on our ability to utilize our technology in a way that will allow us to offer new types of products in relation to maps and geospatial data processing, mobile applications and services to a broader customer base. We will be required to make investments in research and development in order to continually develop new products, software applications and related service offerings, enhance our existing products, platform, mobile applications and related service offerings and achieve market acceptance of our mobile applications and service offerings. We may incur problems in the future in innovating and introducing new products, mobile applications and service offerings. Our development-stage products, mobile applications may not be successfully completed or, if developed, may not achieve significant customer acceptance. If we are unable to successfully define, develop and introduce competitive new mobile applications, and enhance existing mobile applications, our future results of operations would be adversely affected. The timely availability of new applications and their acceptance by customers are important to our future success. A delay in the development of new applications could have a significant impact on its results of operations.

Changes in technology could adversely affect our business by increasing our costs, reducing our profit margins and causing a decline in our competitiveness.

China's spatial-temporal big-data processing and interactive location-based services industry, in which we operate, is characterized by rapidly changing technology, evolving industry standards, frequent introductions of new services and solutions and enhancements as well as changing customer demands. New solutions and new technologies often render existing solutions and services obsolete, excessively costly or otherwise unmarketable. As a result, our success depends on our ability to adapt to the latest technological progress, such as the 5G standard and technologies, and to develop or acquire and integrate new technologies into our products, mobile applications and related services. Advances in technology also require us to commit substantial resources to developing or acquiring and then deploying new technologies for use in our operations. We must continuously train personnel in new technologies and in how to integrate existing systems with these new technologies. We may not be able to adapt quickly to new technologies or commit sufficient resources to compete successfully against existing or new competitors in bringing to market solutions and services that incorporate these new technologies. We may incur problems in the future in innovating and introducing new mobile applications and service offerings. Our development of new mobile applications and platform enhancements may not be successfully completed or, if developed, may not achieve significant customer acceptance. If we fail to adapt to changes in technologies and compete successfully against established or new competitors, our business, financial condition and results of operations could be adversely affected.

Problems with the quality or performance of our software or other systems may cause delays in the introduction of new solutions or result in the loss of customers and revenues, which could have a material and adverse effect on our business, financial condition and results of operations.

Our products are complex and may contain defects, errors or bugs when first introduced to the market or to a particular customer, or as new versions are released. Because we cannot test for all possible scenarios, our systems may contain errors that are not discovered until after they have been installed or implemented, and we may not be able to timely correct these problems. These defects, errors or bugs could interrupt or delay the completion of projects or sales to our customers. In addition, our reputation may be damaged and we may fail to acquire new projects from existing customers or new customers. Errors may occur when we provide systems integration and maintenance services. Even in cases where we have agreements with our customers that contain provisions designed to limit our exposure to potential claims and liabilities arising from customer problems, these provisions may not effectively protect us against such claims in all cases and in all jurisdictions. In addition, as a result of business and other considerations, we may undertake to compensate our customers for damages arising from the use of our solutions, even if our liability is limited by these provisions. Moreover, claims and liabilities arising from customer problems could also result in adverse publicity and materially and adversely affect our business, results of operations and financial condition. We currently do not carry any product or service liability insurance and any imposition of liability on us may materially and adversely affect our business and increase our costs, resulting in reduced revenues and profitability.

Our products may contain undetected software defects, which could negatively affect our revenues.

Our software products are complex and may contain undetected defects. Although we test our products, it is possible that errors may be found or occur in our new or existing products after we have delivered those products to the customers. Defects, whether actual or perceived, could result in adverse publicity, loss of revenues, product returns, a delay in market acceptance of our products, loss of competitive position or claims against us by customers. Any such problems could be costly to remedy and could cause interruptions, delays, or cessation of our product sales, which could cause us to lose existing or prospective customers and could negatively affect our results of operations.

We may be subject to infringement, misappropriation and indemnity claims in the future, which may cause us to incur significant expenses, pay substantial damages and be prevented from providing our services or technologies.

Our success depends, in part, on our ability to carry out our business without infringing the intellectual property rights of third parties. Patent and copyright law covering software-related technologies is evolving rapidly and is subject to a great deal of uncertainty. Our self-developed or licensed technologies, processes or methods may be covered by third-party patents or copyrights, either now existing or to be issued in the future. Any potential litigation may cause us to incur significant expenses. Third-party claims, if successfully asserted against us may cause us to pay substantial damages, seek licenses from third parties, pay ongoing royalties, redesign our services or technologies, or prevent us from providing services or technologies subject to these claims. Even if we were to prevail, any litigation would likely be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

Our failure to protect our intellectual property rights may undermine our competitive position, and subject us to costly litigation to protect our intellectual property rights.

Any misappropriation of our technology or the development of competitive technology could seriously harm our business. We regard a substantial portion of our hardware and software systems as proprietary and rely on statutory copyright, trademark, patent, trade secret laws, customer license agreements, employee and third-party non-disclosure agreements and other methods to protect our proprietary rights. Nevertheless, these resources afford only limited protection and the actions we take to protect our intellectual property rights may not be adequate. In particular, third parties may infringe or misappropriate our proprietary technologies or other intellectual property rights, which could have a material adverse effect on our business, financial condition and results of operations. In addition, intellectual property rights and confidentiality protection in China may not be as effective as in the United States, and policing unauthorized use of proprietary technology can be difficult and expensive. Further, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. The outcome of any such litigation may not be in our favor. Any such litigation may be costly and may divert management attention, as well as our other resources, away from our business. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we have no insurance coverage against litigation costs and would have to bear all litigation costs in excess of the amount recoverable from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our solutions incorporate a portion of, and work in conjunction with, third-party hardware and software solutions. If these third-party hardware or software solutions are not available to us at reasonable costs, or at all, our results of operations could be adversely impacted.

Although our hardware and software systems and mobile applications primarily rely on our own core technologies, some elements of our systems incorporate a small portion of third-party hardware and software solutions. If any third party were to discontinue making their intellectual property available to us or our customers on a timely basis, or increase materially the cost of their licensing such intellectual property, or if our systems or applications failed to properly

function or interoperate with replacement intellectual property, we may need to incur costs in finding replacement third-party solutions and/or redesigning our systems or applications to replace or function with or on replacement third-party proprietary technology. Replacement technology may not be available on terms acceptable to us or at all, and we may be unable to develop alternative solutions or redesign our systems or applications on a timely basis or at a reasonable cost. If any of these were to occur, our results of operations could be adversely impacted.

Our ability to sell our products is highly dependent on the quality of our service and support offerings, and our failure to offer high quality service could have a material adverse effect on our ability to market and sell our products.

Our customers depend upon our customer service and support staff to resolve issues relating to our products. High-quality support services are critical for the successful marketing and sale of our products. If we fail to provide high-quality support on an ongoing basis, our customers may react negatively and we may be materially and adversely affected in our ability to sell additional products to these customers. This could also damage our reputation and prospects with potential customers. Our failure to maintain high-quality support services could have a material and adverse effect on our business, results of operations and financial condition.

Weaknesses in our internal controls over financial reporting or disclosure controls and procedures may have a material adverse effect on our business, the price of our ordinary shares, operating results and financial condition.

We are required to establish and maintain appropriate internal controls over financial reporting and disclosure controls and procedures. Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules adopted by the Securities and Exchange Commission, every public company is required to include a management report on its internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. This requirement first applied to our annual report on Form 20-F for the fiscal year ended on September 30, 2011. In connection with our assessments of our disclosure controls and procedures and internal controls over financial reporting, management concluded that as of December 31, 2018, our disclosure controls and procedures and our internal controls over financial reporting were not effective due to lack of U.S. generally accepted accounting principles ("U.S. GAAP") expertise in our current accounting team. Please refer to the discussion under Item 15, "Controls and Procedures" for further discussion of our material weakness as of December 31, 2018. Should we be unable to remediate the material weakness promptly and effectively, such weakness could harm our operating results, result in a material misstatement of our financial statements, cause us to fail to meet our financial reporting obligations or prevent us from providing reliable and accurate financial reports or avoiding or detecting fraud. This, in turn, could result in a loss of investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the trading price of our ordinary shares. Any litigation or other proceeding or adverse publicity relating to the material weaknesses could have a material adverse effect on our business and operating results.

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

We do not maintain any insurance coverage for our leased properties. Should any natural catastrophes such as earthquakes, floods, typhoons or any acts of terrorism occur in Beijing, China, where our head office is located and most of our employees are based, or elsewhere in China, we might suffer not only significant property damages, but also loss of revenues due to interruptions in our business operations, which could have a material adverse effect on our business, operating results or financial condition.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products, and do not, to our knowledge, offer business liability insurance. As a result, we do not have any business liability insurance coverage for our operations. Moreover, while business disruption insurance is available, we have determined that the risks of disruption and cost of the insurance are such that we do not require it at this time. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources, particularly if it affects our technology platforms which we depend on for delivery of our software and services, and could have a material adverse effect on our financial condition and results of operations.

We may be liable to our customers for damages caused by unauthorized disclosure of sensitive and confidential information, whether through our employees or otherwise.

We are typically required to manage, utilize and store sensitive or confidential customer data in connection with the products and services we provide. Under the terms of our customer contracts, we are required to keep such information strictly confidential. We seek to implement specific measures to protect sensitive and confidential customer data. We require our employees to enter into non-disclosure agreements to limit such employees' access to, and distribution of, our customers' sensitive and confidential information and our own trade secrets. We can give no assurance that the steps taken by us in this regard will be adequate to protect our customers' confidential information. If our customers' proprietary rights are misappropriated by our employees, in violation of any applicable confidentiality agreements or otherwise, our customers may consider us liable for that act and seek damages and compensation from us. However, we currently do not have any insurance coverage for mismanagement or misappropriation of such information by our employees. Any litigation with respect to unauthorized disclosure of sensitive and confidential information might result in substantial costs and diversion of resources and management attention.

We may face intellectual property infringement claims that could be time-consuming and costly to defend. If we fail to defend ourselves against such claims, we may lose significant intellectual property rights and may be unable to continue providing our existing products and services.

It is critical that we use and develop our technology and products without infringing upon the intellectual property rights of third parties, including patents, copyrights, trade secrets and trademarks. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us, whether with or without merit, could, among other things, require us to pay substantial damages, develop non-infringing technology, or re-brand our name or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and cease making, licensing or using products that have infringed a third party's intellectual property rights. Protracted litigation could also result in existing or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation, or could require us to indemnify our customers against infringement claims in certain instances. Also, we may be unaware of intellectual property registrations or applications relating to our services that may give rise to potential infringement claims against us. Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our services or using technology containing the allegedly infringing intellectual property. Any intellectual property litigation could have a material adverse effect on our business, results of operations or financial condition.

Seasonality and fluctuations in our customers' spending cycle and other factors can cause our revenues and operating results to vary significantly from quarter to quarter and from year to year.

Our revenues and operating results will vary from quarter to quarter and from year to year due to a number of factors, many of which are outside of our control. Our new lines of business acquired upon the consummation of the asset exchange transaction discussed below see higher customer use and activity during the Chinese New Year holiday than other times during the year when rail travel is high, which lead to higher revenue during this period as more customers would like to place more advertising. Historically, the products of our subsidiary Superengine Graphics Software Technology Development (Suzhou) Co., Ltd ("Superengine") have a pattern of decreased sales in the first fiscal quarter as a result of industry buying patterns. Due to these and other factors, our operating results may fluctuate from quarter to quarter and from year to year. These fluctuations are likely to continue in the future, and operating results for any period may not be indicative of our future performance in any future period.

Our corporate actions are substantially controlled by Mr. Xuesong Song, our Chairman and Chief Executive Officer, who can cause us to take actions in ways you may not agree with.

Mr. Xuesong Song, our Chairman and Chief Executive Officer, beneficially owns 19.14% of our outstanding ordinary shares and 1,000,000 preferred shares, and each preferred share has the right to 399 votes at a meeting of the shareholders of the Company. As a result, Mr. Song has approximately 73% of the voting rights of the shareholders of the Company. Mr. Song can exert control and substantial influence over matters such as electing directors, amending our constitutional documents, and approving acquisitions, mergers or other business combination transactions. This concentration of ownership and voting power may also 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 might reduce the price of our shares. Alternatively, our controlling shareholders may cause a merger, consolidation or change of control transaction even if it is opposed by our other shareholders, including those who purchase shares in this offering

We depend on a small number of customers to derive a significant portion of our revenues. If we were to become dependent again upon a few customers, such dependency could negatively impact our business, operating results and financial condition.

We derived a material portion of our revenues from a small number of customers. In the years ended December 31, 2018, 2017 and 2016, our five largest customers accounted for 94.4%, 99.8% and 79.6% of our total sales, respectively. As our customer base may change from year-to-year, during such years that the customer base is highly concentrated, the fluctuation of our sales to any of such major customers could have a material adverse effect on our business, operating results and financial condition. Moreover, our high customer base concentration may also adversely affect our ability to negotiate contract prices with these customers, which may in turn materially and adversely affect our results of operations.

Our historical outstanding accounts receivable have been relatively high. Inability to collect our accounts receivable on a timely basis, if at all, could materially and adversely affect our financial condition, liquidity and results of operations.

Historically, our outstanding accounts receivable have been relatively high. As of December 31, 2018, 2017 and 2016, our outstanding accounts receivable before impairment were \$25.0 million \$10.4 million and \$2.1 million, respectively. Although we conduct credit evaluations of our customers, we generally do not require collateral or other security from our customers. In addition, we have had a relatively high customer concentration. The outstanding accounts receivable balance for our largest customer was 24.4%, 48.5% and 43.3% of our total accounts receivable balance as of December 31, 2018 2017 and 2016, respectively. As a result, an extended delay or default in payment relating to a significant account would likely have a material and adverse effect on the aging schedule and turnover days of our accounts receivable. Our inability to collect our accounts receivable on a timely basis, if at all, could materially and adversely affect our financial condition, liquidity and results of operations.

Risks Related to Doing Business in China

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.

Substantially all of our business operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. Although the Chinese economy is no longer a planned economy, the PRC government continues to exercise significant control over China's economic growth through direct allocation of resources, monetary and tax policies, and a host of other government policies such as those that encourage or restrict investment in certain industries by foreign investors, control the exchange between RMB and foreign currencies, and regulate the growth of the general or specific market. These government involvements have been instrumental in China's significant growth in the past 30 years. The reorganization of the telecommunications industry encouraged by the PRC government has directly affected our industry and our growth prospect. In response to the recent global and Chinese economic downturn, the PRC government has adopted policy measures aimed at stimulating the economic growth in China. If the PRC government's current or future policies fail to help the Chinese economy achieve further growth or if any aspect of the PRC government's policies limits the growth of the telecommunications industry in China or our industry or otherwise negatively affects our business, our growth rate or strategy, our results of operations could be adversely affected as a result.

Our business benefits from certain government tax incentives. Expiration, reduction or discontinuation of, or changes to, these incentives will increase our tax burden and reduce our net income.

Under the PRC Enterprise Income Tax Law passed in 2007 and the implementing rules, both of which became effective on January 1, 2008, or the New EIT Law, a unified enterprise income tax rate of 25% and unified tax deduction standard is applied equally to both domestic-invested enterprises and foreign-invested enterprises, or FIEs. Enterprises established prior to March 16, 2007 eligible for preferential tax treatment in accordance with the then tax laws and administrative regulations shall gradually become subject to the New EIT Law rate over a five-year transition period starting from the date of effectiveness of the New EIT Law. However, certain qualifying high-technology enterprises may still benefit from a preferential tax rate of 15% if they own their core intellectual properties and they are enterprises in certain State-supported high-tech industries to be later specified by the government. As a result, if our PRC subsidiaries qualify as "high-technology enterprises," they will continue to benefit from the preferential tax rate of 15%, subject to transitional rules implemented from January 1, 2008. Our subsidiaries, Beijing Zhong Chuan Shi Xun Technology Limited and Superengine Graphics Software Technology Development (Suzhou) Co., Ltd, are qualified as a "high-technology enterprise" until the end of the November 2021 and October 2021, respectively, and therefore they had benefited from the preferential tax rate of 15%, subject to transitional rules implemented on January 1, 2008. Although we intend to apply for a renewal of this qualification, if Beijing Zhong Chuan Shi Xun and Suzhou Superengine cease to qualify as a "high-technology enterprise", or the tax authorities change their position on our preferential tax treatments in the future, our future tax liabilities may materially increase, which could materially and adversely affect our financial condition and results of operations.

If we were deemed a "resident enterprise" by PRC tax authorities, we could be subject to tax on our global income at the rate of 25% under the New EIT Law and our non-PRC shareholders could be subject to certain PRC taxes.

Under the New EIT Law and the implementing rules, both of which became effective January 1, 2008, an enterprise established outside of the PRC with "de facto management bodies" within the PRC may be considered a PRC "resident enterprise" and will be subject to the enterprise income tax at the rate of 25% on its global income as well as PRC enterprise income tax reporting obligations. The implementing rules of the New EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. However, as of the date of this annual report, no final interpretations on the implementation of the "resident enterprise" designation are available. Moreover, any such designation, when made by PRC tax authorities, will be determined based on the facts and circumstances of individual cases. Therefore, if we were to be considered a "resident enterprise" by the PRC tax authorities, our global income would be taxable under the New EIT Law at the rate of 25% and, to the extent we were to generate a substantial amount of income outside of PRC in the future, we would be subject to additional taxes. In addition, the dividends we pay to our non-PRC enterprise shareholders and gains derived by such shareholders or ADS or ordinary shareholders from the transfer of our shares or ADSs may also be subject to PRC withholding tax at the rate up to 10%, if such income were regarded as China-sourced income.

Our holding company structure may limit the payment of dividends.

We have no direct business operations, other than our ownership of our subsidiaries. While we have no current intention of paying dividends, should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our subsidiaries in China 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. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. As a result, there may be limitations on the ability of our PRC subsidiaries to pay dividends or make other investments or acquisitions that could be beneficial to our business or otherwise fund and conduct our business.

In addition, under the New EIT Law and the implementing rules that became effective on January 1, 2008, dividends generated from the business of our PRC subsidiaries after January 1, 2008 and payable to us may be subject to a withholding tax rate of 10% if the PRC tax authorities subsequently determine that we are a non-resident enterprise, unless there is a tax treaty with China that provides for a different withholding arrangement.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct all of our business through our subsidiaries in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws and regulations applicable to wholly foreign-owned enterprises. The PRC legal system is based on statutes. Prior court decisions may be cited for reference but have limited precedential value.

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Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs or ordinary shares.

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Fluctuation in the value of the RMB may have a material adverse effect on the value of your investment.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximate 26.8% appreciation of the RMB against the U.S. dollar between July 21, 2005 and September 30, 2015. Provisions on Administration of Foreign Exchange, as amended in August 2008, further changed China's exchange regime to a managed floating exchange rate regime based on market supply and demand. Since reaching a high against the U.S. dollar in July 2008, however, the RMB has traded within a narrow band against the U.S. dollar, remaining within 1% of its July 2008 high but never exceeding it. As a consequence, the RMB has fluctuated sharply since July 2008 against other freely-traded currencies, in tandem with the U.S. dollar. In August 2015, the PRC Government devalued its currency by approximately 3%, representing the largest yuan depreciation for 20 years. Concerns remain that China's slowing economy, and in particular its exports, will need a stimulus that can only come from further cuts in the exchange rate.

It is difficult to predict how long the current situation may continue and when and how it may change again as the People's Bank of China may regularly intervene in the foreign exchange market to achieve economic policy goals. Substantially all of our revenues and costs are denominated in the RMB, and a significant portion of our financial assets are also denominated in RMB. We principally rely on dividends and other distributions paid to us by our subsidiaries in China. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs or ordinary shares in U.S. dollars. Any fluctuations of the exchange rate between the RMB and the U.S. dollar could also result in foreign currency translation losses for financial reporting purposes.

PRC laws and regulations governing our businesses. If we are found to be in violation of such PRC laws and regulations, we could be subject to sanctions. In addition, changes in such PRC laws and regulations may materially and adversely affect our business.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business. These laws and regulations are relatively new and may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

The PRC government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted to us by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. We cannot predict the effect of the interpretation of existing or new PRC laws or regulations on our businesses. We cannot assure you that our current ownership and operating structure would not be found in violation of any current or future PRC laws or regulations. As a result, we may be subject to sanctions, including fines, and could be required to restructure our operations or cease to provide certain services. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Any of these or similar actions could significantly disrupt our business operations or restrict us from conducting a substantial portion of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

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If we were required to obtain the prior approval of the China Securities Regulatory Commission, or CSRC, of the listing and trading of our ADSs on the NASDAQ Capital Market, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which became effective on September 8, 2006 (the “New M&A Rules”). This regulation, among other things, includes provisions that purport to require that an offshore special purpose vehicle formed for the purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC and it would take several months to complete the approval process, if practicable at all. The application of this new PRC regulation remains unclear with no consensus currently existing among leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.

Prior to our May 2010 initial public offering, our PRC counsel has advised us that, based on its understanding of the current PRC laws and regulations as well as the procedures announced on September 21, 2006: (i) Softech was directly incorporated by Topsy as a foreign investment enterprise under PRC law; therefore, there was no acquisition of the equity of a “PRC domestic company” as defined under the New M&A Rules; and (ii) the contractual arrangements between Kingtone Information and Softech were not clearly defined and considered as the transaction which shall be applied to the New M&A Rules. Therefore, we did not seek prior CSRC approval for our initial public offering.

However, if the CSRC required that we obtain its approval prior to the completion of our initial public offering and the listing of our ADSs on the NASDAQ Capital Market, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from our initial public offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our shares.

Also, if the CSRC requires that we obtain its approval, we may be unable to obtain a waiver of the CSRC approval requirements if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding this CSRC approval requirement could have a material adverse effect on the trading price of our shares.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to penalties and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute profits to us, or otherwise adversely affect us.

On October 21, 2005, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or Notice 75, which became effective as of November 1, 2005. According to Notice 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing such offshore company with assets or equity interests in an onshore enterprise located in the PRC, or an offshore special purpose company. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore special purpose company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore special purpose company. Moreover, Notice 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore special purpose companies that have made onshore investments in the PRC in the past are required to have completed the relevant registration procedures with the local SAFE branch by March 31, 2006. To further clarify the implementation of Notice 75, the SAFE issued Circular 106 on May 29, 2007. Under Circular 106, PRC subsidiaries of an offshore special purpose company are required to coordinate and supervise the filing of SAFE registrations by the offshore holding company’s shareholders or beneficial owners who are PRC residents in a timely manner.

Some of our current shareholders and/or beneficial owners may fall within the ambit of the SAFE notice and be required to register with the local SAFE branch as required under the SAFE notice. If so required, and if such shareholders and/or beneficial owners fail to timely register their SAFE registrations pursuant to the SAFE notice, or if future shareholders and/or beneficial owners of our company who are PRC residents fail to comply with the registration procedures set forth in the SAFE notice, this may subject such shareholders, beneficial owners and/or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute dividends to our company, or otherwise adversely affect our business.

Risks Associated with our ADSs and Ordinary Shares

The market price of our ADSs and Ordinary Shares have historically been highly volatile, and you may not be able to resell our ordinary shares at or above your initial purchase price.

There may be a limited public market for our ordinary shares and, as discussed above, our ADSs are no longer listed on any public market in the United States or any other jurisdiction. We cannot assure you that there will be an active trading market for our ordinary shares in the future. If our ordinary shares are accepted for listing on a public market, you may not be able to sell your ordinary shares quickly or at the market price if trading in our ordinary shares is not active.

The trading price of our ADSs and ordinary shares may be volatile. The price of our ADSs and ordinary shares could be subject to wide fluctuations in response to a variety of factors, including the following:

1. Introduction of new products, services or technologies offered by us or our competitors;
2. Failure to meet or exceed revenue and financial projections we provide to the public;
3. Actual or anticipated variations in quarterly operating results;
4. Failure to meet or exceed the estimates and projections of the investment community;
5. General market conditions and overall fluctuations in United States equity markets;
6. Announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
7. Disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
8. Additions or departures of key management personnel;
9. Issuances of debt or equity securities;

10. Significant lawsuits, including patent or shareholder litigation;

11. Changes in the market valuations of similar companies;

12. Sales of additional ordinary shares or other securities by us or our shareholders in the future;

13. Trading volume of our ordinary shares;

14. Fluctuations in the exchange rate between the U.S. dollar and Renminbi;

15. Negative market perception and media coverage of our company or other companies in the same or similar industry with us; and

16. Other events or factors, many of which are beyond our control.

In addition, the stock market in general, and the NASDAQ Capital Market and software products and services companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our ordinary shares, regardless of our actual operating performance.

Our ordinary shares may be subject to the SEC's penny stock rules which may make it difficult for broker-dealers to complete customer transactions and trading activity in our securities.

Our ordinary shares may be deemed to be "penny stock" as that term is defined under the Securities Exchange Act of 1934, as amended. Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). Penny stock rules impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors." The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse in each of the prior two years.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC, which provides information about penny stocks and the nature and level of risks in the penny stock market. Moreover, broker-dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. A broker-dealer must receive a written agreement to the transaction from the investor setting forth the identity and quantity of the penny stock to be purchased. These requirements may make it more difficult for broker-dealers to effectuate customer transactions and trading activity in our securities. As a result, the market price of our ordinary shares may be depressed, and you may find it more difficult to sell our ordinary shares.

Sales of a substantial number of ordinary shares in the public market by our existing shareholders could cause the price of our ordinary shares to fall.

Sales of a substantial number of our ordinary shares in the public market or the perception that these sales might occur, could depress the market price of our ordinary shares and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our ordinary shares.

Subject to certain limitations all of our total outstanding shares are now eligible for sale. Sales of ordinary shares by these shareholders could have a material adverse effect on the trading price of our ordinary shares.

Future sales and issuances of our ordinary shares, or rights to purchase our ordinary shares, including pursuant to our 2010 Omnibus Incentive Plan, could result in additional dilution of the percentage ownership of our shareholders and could cause the price of our ordinary shares to fall.

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our shareholders may experience substantial dilution. We may sell ordinary shares, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell ordinary shares, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. Such sales may also result in material dilution to our existing shareholders, and new investors could gain rights superior to our existing shareholders.

We do not intend to pay dividends on our ordinary shares, so any returns will be limited to the value of our ordinary shares.

We have never declared or paid any cash dividend on our ordinary shares. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return shareholders will therefore be limited to the value of their ordinary shares.

As the rights of shareholders under British Virgin Islands law differ from those under U.S. law, you may have fewer protections as a shareholder.

Our corporate affairs will be governed by our memorandum of association and articles of association, the BVI Business Companies Act, 2004, or the BVI Act, of the British Virgin Islands and the common law of the British Virgin Islands. The rights of shareholders to take legal action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are to a large extent governed by the BVI Act and the common law of the British Virgin Islands. The common law of the British Virgin Islands is derived in part from comparatively limited judicial precedent in the British Virgin Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the British Virgin Islands has a less developed body of securities laws as compared to the United States, and some states (such as Delaware) have more fully developed and judicially interpreted bodies of corporate law.

As a result of all of the above, holders of our ADSs and ordinary shares may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than they would as shareholders of a U.S. company.

British Virgin Islands companies may not be able to initiate shareholder derivative actions, thereby depriving shareholders of the ability to protect their interests.

British Virgin Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. The circumstances in which any such action may be brought, and the procedures and defenses that may be available in respect to any such action, may result in the rights of shareholders of a British Virgin Islands company being more limited than those of shareholders of a company organized in the United States. Accordingly,

shareholders may have fewer alternatives available to them which they believe that corporate wrongdoing has occurred. The British Virgin Islands courts are also unlikely to recognize or enforce against us judgments of courts in the United States based on certain liability provisions of U.S. securities law; and to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain liability provisions of U.S. securities laws that are penal in nature. There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will generally recognize and enforce the non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

The laws of the British Virgin Islands provide little protection for minority shareholders, so minority shareholders will have little or no recourse if the shareholders are dissatisfied with the conduct of our affairs.

Under the law of the British Virgin Islands, there is little statutory law for the protection of minority shareholders other than the provisions of the BVI Act dealing with shareholder remedies. The principal protection under statutory law is that shareholders may bring an action to enforce the constituent documents of the corporation, our memorandum of association and articles of association. Shareholders are entitled to have the affairs of the company conducted in accordance with the general law and the memorandum of association and articles of association.

There are common law rights for the protection of shareholders that may be invoked, largely dependent on English company law, since the common law of the British Virgin Islands is limited. Under the general rule pursuant to English company law known as the rule in *Foss v. Harbottle*, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company's affairs by the majority or the board of directors. However, every shareholder is entitled to have the affairs of the company conducted properly according to law and the company's constituent documents. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum of association and articles of association, then the courts will grant relief. Generally, the areas in which the courts will intervene are the following: (1) an act complained of which is outside the scope of the authorized business or is illegal or not capable of ratification by the majority; (2) acts that constitute fraud on the minority where the wrongdoers control the company; (3) acts that infringe on the personal rights of the shareholders, such as the right to vote; and (4) where the company has not complied with provisions requiring approval of a majority of shareholders, which are more limited than the rights afforded minority shareholders under the laws of many states in the United States.

Anti-takeover provisions in our memorandum of association and articles of association and our right to issue preference shares could make a third-party acquisition of us difficult.

Some provisions of our memorandum of association and articles of association may discourage, delay or prevent a change in 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.

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we may not offer those rights to ordinary shareholders unless both the rights and the underlying securities to be distributed to ordinary shareholders are registered under the Securities Act, or the distribution of them to ordinary shareholders is exempted from registration under the Securities Act with respect to all ordinary shareholders. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to rely on an exemption from registration under the Securities Act to distribute such rights and securities. Accordingly, our ordinary shareholders may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

We may be a passive foreign investment company, of PFIC, which could lead to additional taxes for U.S. holders of our ordinary shares.

We do not expect to be, for U.S. federal income tax purposes, a passive foreign investment company, or a PFIC, which is a foreign company for which, in any given taxable year, either at least 75% of its gross income is passive income, or investment income in general, or at least 50% of its assets produce or are held to produce passive income, for the current taxable year, and we expect to operate in such a manner so as not to become a PFIC for any future taxable year. However, because the determination of PFIC status for any taxable year cannot be made until after the close of such year and requires extensive factual investigation, including ascertaining the fair market value of our assets on a quarterly basis and determining whether each item of gross income that we earn is passive income, we cannot assure you that we will not become a PFIC for the current taxable year or any future taxable year. If we are or become a PFIC, a U.S. holder ordinary shares could be subject to additional U.S. federal income taxes on gain recognized with respect to the ordinary shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

If the trading price of our ordinary shares fails to comply with the continued listing requirements of the NASDAQ Capital Market, we would face possible delisting, which would result in a limited public market for our ordinary shares and make obtaining future debt or equity financing more difficult for us.

Companies listed on NASDAQ are subject to delisting for, among other things, failure to maintain a minimum closing bid price of \$1.00 per share for 30 consecutive business days. On December 19, 2011, we received a letter from NASDAQ indicating that for the last 30 consecutive business days, the closing bid price of our ADSs fell below the minimum \$1.00 per share requirement pursuant to NASDAQ Listing Rule 5550(a)(2) for continued listing on the NASDAQ Capital Market. We have regained compliance with the minimum bid price requirement for continued listing set forth in NASDAQ Listing Rule 5550(a)(2), as its ADS with its underlying ordinary share has achieved a closing bid price of \$1.00 or greater for the 10 consecutive business days from November 6 to November 23, 2012 by implementing a 1-for-10 combination, or reverse split of the ordinary shares effective November 6, 2012, we cannot be sure that the price of our ordinary shares will comply with this requirement for continued listing on the NASDAQ Capital Market in the future. If we were not able to do so, our ordinary shares would be subject to delisting and would likely trade on the over-the-counter market. If our ordinary shares were to trade on the over-the-counter market, selling our ordinary shares could be more difficult because smaller quantities of shares would likely be bought and sold, transactions could be delayed, and security analysts' coverage of us may be reduced. In addition, broker-dealers have certain regulatory burdens imposed upon them, which may discourage broker-dealers from effecting transactions in our ordinary shares, further limiting the liquidity of our ordinary shares. As a result, the market price of our ordinary shares may be depressed, and you may find it more difficult to sell our ordinary shares. Such delisting from the NASDAQ Capital Market and continued or further declines in our share price could also greatly impair our ability to raise additional necessary capital through equity or debt financing.

ITEM 4. INFORMATION ON THE COMPANY.

A. HISTORY AND DEVELOPMENT OF THE COMPANY.

Overview

We are a holding company and conduct our operations through our wholly-owned subsidiary named LK Technology Ltd., a British Virgin Islands limited liability company ("LK Technology"), and its wholly-owned subsidiaries, MMB Limited and its respective subsidiaries, which possess two core brands "Luokuang" and "SuperEngine". "Luokuang" is a mobile application to provide Business to Customer (B2C) location-based services and "SuperEngine" provides Business to

Business (B2B) and Business to Government (B2G) services in connection with spatial-temporal big data processing. In May 2010, we consummated an initial public offering of our American Depository Shares, or ADSs, for gross proceeds of \$16 million, and our ADSs were listed on the NASDAQ Capital Market under the ticker symbol “KONE”. On August 17, 2018, we completed the transactions contemplated by the Asset Exchange Agreement (“AEA”) with C Media Limited (“C Media”) entered into on January 25, 2018. On August 20, 2018, we changed our name to Luokung Technology Corp., our American Depository Shares (“ADSs”) were voluntarily delisted from the NASDAQ Capital Market on September 19, 2018 and on January 3, 2019 our ordinary shares started trading on NASDAQ under the ticker symbol “LKCO”.

On August 17, 2018, we consummated an asset exchange transaction, pursuant to which we exchanged all issued and outstanding capital stock in Topsyky Info-Tech Holdings Pte Ltd., the parent of Softech, for the issued and outstanding capital stock of LK Technology (the “Asset Exchange”). In connection with the Asset Exchange, we changed our name on August 20, 2018, and on September 20, 2018, issued to the shareholders of C Media Limited, the former parent of LK Technology, (i) 185,412,599 of our ordinary shares, par value \$0.01 per share and (ii) 1,000,000 of our preferred shares. Upon the consummation of the Asset Exchange, we ceased our previous business operations and became a company focused on the provision of location-based service and mobile application products for long distance rail travelers in China.

On August 25, 2018, LK Technology entered into a Stock Purchase Agreement (the “Agreement”) with the shareholders (“Shareholders”) of Superengine Holding Limited, a limited liability company incorporated under the laws of the British Virgin Islands (the “Superengine”), pursuant to which LK Technology acquired all of the issued and outstanding shares of Superengine for an aggregate purchase price of US\$60 million (the “Purchase Price”), which was paid by the issuance of our Ordinary Shares in an amount equal to the quotient of (x) the Purchase Price divided by (y) the average of the closing prices of the Ordinary Shares on the NASDAQ Capital Market over the 12 months period preceding July 31, 2018. We are a party to the Agreement in connection with the issuance of the Ordinary Shares and certain other limited purposes.

Corporate Information

Our principal executive offices are located at LAB32, SOHO 3Q, No 9, Guanghua Road, Chaoyang District, Beijing, People’s Republic of China 100020. Our website is www.luokung.com. We routinely post important information on our website. The information contained on our website is not a part of this annual report.

Our agent for service of process in the United States is Worldwide Stock Transfer, LLC, the current transfer agent of the Company, with a mailing address of One University Plaza, Suite 505, Hackensack, New Jersey 07601.

B. BUSINESS OVERVIEW.

We are a China-based provider of location-based services and mobile application products for long distance travelers in China. Our primary mobile application, the Luokuang platform, consists of the Luokuang mobile applications, a series of supporting software at the server end, and rail-Wi-Fi hardware and equipment on the trains that we serve. The Luokuang platform incorporates technologies covered by 22 patents and about 34 software copyrights, and serves as a content and service distribution platform that is tailored for particular travel stages featuring geographic location and social interactions. The content and services distributed by Luokuang contain information, entertainment, travel, e-commerce, online to offline (“O2O”), advertisement and other marketing features.

Luokuang mainly provides personalized and targeted services to long distance travelers in two locations: on the train and at the destination. Based on the travel environment, the core elements of our users’ needs include staving off boredom on trains and discovering and exploring new locations upon arrival. The main services contain entertainment services (videos and audio, digital readings, games specific and tailored to the travel stage) and social services (satisfying the demand for value discovery of unfamiliar destinations through social interaction among strangers based on locations). As of December 31, 2018, the Luokuang platform featured about 51 million users.

We use the most valuable Wi-Fi location—the train Wi-Fi setting—as the entrance of our Luokuang platform and mobile applications. Passengers typically ride trains for long-distance and inter-provincial travel purposes. The long periods of monotonous journeys and the cost concerns for roaming traffic fees enable the combination of entertainment content service needs and Wi-Fi access needs. Our rail-Wi-Fi becomes a valuable and sophisticated Wi-Fi service in this setting—not just Wi-Fi connection service, but a provider of sophisticated services through a Wi-Fi connection. We do not define ourselves as a train Wi-Fi communication service operator but as a long-distance travel mobile service and location-based service provider. The rail Wi-Fi is our access point to a significant pool of users and the entrance to acquiring additional users.

The recommender services focus on providing targeted push services to users while travelling in unfamiliar cities. Local information and guidance service are precisely pushed according to individual user’s interest and taste, including restaurants, entertainment, living styles, local snacks, local products, scenic spots, cultural history and stories. The guidance service is User Generated Content which is shared and distributed by individual users including travelers, local residents and local businesses.

In June 2018, China Railway Gecent Technology Co., Ltd. (or “Gecent”) (established jointly by China Railway Investment Co., Ltd., Geely Holding Group and Tencent Holdings Ltd.) obtained the exclusive right to build and operate on train Wi-Fi for all the High-speed trains in China. It provides a full-travelling service including on train Wi-Fi, entertainments, news, online meals order, online specialty retailer and connecting travel. As the pathfinder in on-train Wi-Fi market in China, we have accumulated great experiences and resources in construction and operation on train Wi-Fi on express trains in China, which enable us to cooperate with Gecent to provide location-based services through the provision of our map SDKs (Software Development Kit) and APIs (Application-programming Interface), including services at train stations covering navigation and OTO services, and to provide movie content SDK, movie copyrights and operating services to the users of Gecent’s mobile application. Through the cooperation with Gecent, we are able to expand our services to more valuable high-speed train passengers, while the high-speed train Wi-Fi in China will cover about 3 billion passenger trips till the year of 2020.

Through the acquisition of Superengine, we obtained patented technologies in spatial-temporal big data indexing, storage, transmission and visualization that can support the full vector maps without tile, which can be effectively applied to high-definition (HD) maps, location-based services, smart cities, intelligent transportation systems, mapping and surveying, remote sensing and monitoring. We possess fifteen patents and nine patent application rights in U.S., Europe, Japan and China. Our graphics processing system is a thousand times more efficient than competing technologies in querying, retrieving, transmitting and rendering graphical information, and allowing Terabyte (TB) sized data to be released in seconds, which enable our customers to obtain real-time operational intelligence by harnessing the value of their database.

Key Technologies

We believe our investments in our products and key technologies provide significant competitive differentiation and our technologies are disruptive innovations in computer graphics systems, spatial-temporal data analysis and processing. Our proprietary algorithms are able to eliminate certain time-consuming steps in data preprocessing, and maintain same level of high system performance with the amount of data increasing by orders of magnitude. It enables a new wave of technological upgrades in related industries to do more with less time and less power consumption.

Spatial temporal indexing technology.

This technology provides an effective indexing technique, covering both spatial dimension and temporal dimension. It separates the data and indexes, and solves the technological difficulties in spatial temporal big data processing, including storage, updating, management, indexing, reading, spatial relationship computation and analysis. This technology allows the users to efficiently and accurately obtain the data they need, and minimizes the transmission of unnecessary data, which achieves application efficiency not being affected even with explosive growth of data volume.

Adaptive reduction and compression technology

This technology allows full vector spatial data to be processed directly through the adaptive reduction and compression to meet the requirements of transmission performance for internet application. Our competing technologies require preprocessing full vector data into tiles in a rasterized format or in a vector format.

1. Spatial relationship could still be strictly maintained and correctly displayed after the reduction and compression
2. The adaptive reduction and compression are lossless so that the display effect remains the same
3. The reduction and compression allow rapid display of map in any network speed, adaptive to the network speed with dynamic adjustment of the display effect.

Progressive transmission technology

Progressive transmission technology is one of the key technologies to realize fast response in spatial data application. It supports lossless adaptive progressive transmission of spatial data, and the display and operation of map can be conducted with any network speed, for instance, by scaling, rotating, or translating. The display of map could be adjusted automatically in accordance with the network speed and users' operation.

Progressive transmission technology makes system response time independent from the growth of spatial data, and also solves the performance problem in dealing with spatial temporal big data. The data integrity between users' end and server is not compromised as the spatial relationship remains unchanged.

Full vector non-tiled technology

On the strength of our technologies, we support real-time release and real-time update of spatial vector data without the preprocessing step to rasterize the vector data, and we also support personalized display and analysis for the application of spatial data in real-time dynamic environment. Our indexing technology enables clients to establish a fast transmission channel between user and server, for both the large scope analysis and accurately pinning down details. Because the client can access the complete vector data, it solves the problem that only partial analysis could be performed on tiles. This will greatly expand the data computing capability of the client. In most scenarios, indexing can fulfill most of analysis requirements and application functions.

Our Services

Luokuang mobile application. We provide display-based online advertising services to customers by integrating text description, image and video, and displaying the advertisements in prominent positions on Luokuang Application.

Luokung SDKs and APIs. Our location based product, Luokung SDKs and APIs, provide spatial-temporal big data analysis and customized map to software and mobile application developers, and allow location-based contents and information to be integrated and presented on the map, which enables software and mobile application developers to create more diversified business models and service functions. Our proprietary full vector map presents refreshingly new and customizable location-based services to our business partners.

Spatial temporal indexing cloud. The spatial temporal indexing cloud service is a data-level virtualization technology we offer to our clients with high availability, extensibility and granular permission control. Our indexing cloud data centers offer highly integrated, dependable, efficient and secure services to meet the needs of varied spatial temporal requirements covering all types of clients, while shielding the details of data from disclosure to honor requested data protection.

Information SuperEngine. Our information SuperEngine includes the server engine and web graphics image engine. The server engine enables our clients to improve its ability and functions to store, manage and index the spatial temporal big data on the server side, and by establishing spatial temporal index on the server, our clients are able to rapidly and more efficiently obtain their requested data. Web graphics image engine, supports the rapid transmission of graphics image, and rapid display and edge computing ability for multi-terminal and cross-platform.

Spatial temporal cloud platform. Spatial temporal cloud platform supports deployment on public and private clouds to provide services for both industry users and public users. It provides comprehensive online cloud services including data storage, data resource and platform support, and it supports users to aggregate multi-source spatial data, map services, Internet of things streaming data. By leveraging variety of industry templates, simple and easy-to-use tools for data editing, analysis and searching, users will be able to generate application systems for specific application scenarios. Various application operations can be performed through the mobile devices and Web browsers.

Our Strategy

We put more effort on continually improving the quality of our products and services, and the user's experience of our products, as we believe satisfied users and customers are more likely to recommend our products and services to others. Through these efforts and with the increased use of internet in China, we will build our brand with modest marketing expenditures. We have implemented a number of marketing initiatives to promote our brand awareness among potential users, customers. In addition to our brand positioning in the market, we have also initiated a series of marketing activities to promote our products and technologies among existing and potential users and customers.

We intend to invest heavily in product development to deliver additional features and performance enhancements, deployment models and solutions that can address new end markets. Our investments may involve hiring and associated development, acquisitions and licensing of third-party technology.

We will continue to increase investments in our sales and marketing organizations to expand our current customer base. Our investments will be spread across geographies, customer tiers and industries. We will continue to invest in and foster the growth of our channel relationships in China.

We will continue to drive customer satisfaction and renewals by offering community, standard, enterprise and global support to our customers' success with our offerings.

We intend to continue our investments in SDKs and APIs that help software developers leverage our platform. Our SDKs enable developers to build solutions that deeply integrate the analytics functionality of our offerings across the enterprise. Through our investments in SDKs and APIs, we intend to promote and extend the capabilities of our offerings to customers who wish to build sophisticated applications and interfaces that leverage our software and services.

Intellectual Property

We have registered the following software copyrights, patents and trademarks for our business operations. We believe this intellectual property forms an integral part of our competitive strength.

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Patents:

We have been granted some inventions by the State Intellectual Property Office of PRC. We possess a complete set of technology system including network, client end and service and operation platform. We have patent protections for Wi-Fi equipment on trains and for spatial-temporal big data processing technology. We have received the following patents:

No.	Name of patent	Type	Registration Number	Date of Issuance
1.	Wireless communication multimedia chip business consumer information acquisition terminal device	Invention	ZL 2010 2 0528767.9	Sep 21, 2011
2.	A user behavior processing method and device for intelligent terminal	Invention	ZL 2013 1 0301728.3	May 27, 2015
3.	A global positioning system terminal device	Invention	ZL 2010 2 0253452.8	Nov 7, 2011
4.	A wireless multimedia server	Invention	ZL 2013 2 0220183.9	Nov 13, 2013
5.	Ordering system of passengers on train	Invention	ZL 2015 2 0095381.6	Aug 5, 2015
6.	A wireless multimedia server	Invention	ZL 2015 2 0201382.4	Oct 28, 2015
7.	An antenna structure	Invention	ZL 2016 2 0424352.4	Mar 1, 2017
8.	Spatial data progressive transmission method and device	Invention	201010617383.9	Jun 15, 2016
9.	Methods and devices for conflict detection and avoidance of spatial entity element labeling	Invention	201010617385.8	Mar 26, 2014
10.	Spatial data processing method and device	Invention	201010617399.X	Jun 26, 2013
11.	Method and device of spatial data simplification	Invention	201010617400.9	Mar 13, 2013
12.	Method and device for judging the occlusion type of space entity	Invention	201010617403.2	Sep 25, 2013
13.	A method and device for distributed mapping of 3d model data	Invention	201110274924.7	Mar 26, 2014
14.	Data simplification of 3d model, gradual transmission method and device	Invention	201110275336.5	Mar 25, 2015
15.	Spatial data transmission method and device	Invention	201110306393.5	Dec 13, 2014
16.	Methods and devices for spatial data processing, simplification and progressive transmission	Invention	201210104250.0	Jun 10, 2015
17.	Spatial data progressive transmission method and device	Invention	201310367021.2	Jun 23, 2017
18.	Simplification method and device of spatial data	Invention	201310367128.7	Sep 22, 2017
19.	The method and device to accelerate transmission and display of graphic data across platforms	Invention	201210116149.7	Aug 10, 2016
20.	Methods and devices related to spatial data compression, decompression and progressive transmission	Invention	201310136682.4	Nov 10, 2017

We also have two patents outside of China.

No.	Name of patent	Country	National Registration Number	Date of Issuance
1.	Spatial data processing method and device	Japan	2012-547439	Jun 20, 2014
2.	Methods and devices related to spatial data compression, decompression and progressive transmission	U.S.A.	14/394,610	Sep 5, 2017

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Software Copyrights:

We have received the following software copyrights from the National Copyright Administration ("NCA") of PRC:

No.	Name of Copyright	Achievement approach	Registration number	Registration date	Duration
1.	WAP PUSH Business operation platform system	Independent research and development	2007SRBJ1464	Jul 23, 2007	50 years
2.	TD-SCDMA Streaming media business management platform software V1.0	Independent research and development	2009SRBJ0412	Jan 22, 2009	50 years
3.	Content management platform system software V1.0	Independent research and development	2009SRBJ1374	Apr 1, 2009	50 years
4.	Mobile multimedia broadcast electronic service guide system software V1.0	Independent research and development	2009SRBJ1365	Apr 1, 2009	50 years
5.	Mobile video business operation platform system V1.0	Independent research and development	2007SRBJ1463	Jul 23, 2007	50 years
6.	Mobile multimedia broadcast emergency broadcast platform software V1.0	Independent research and development	2010SRBJ0720	Mar 5, 2010	50 years
7.	Mobile multimedia broadcast audio rich media interactive platform software V1.0	Independent research and development	2010SRBJ0719	Mar 5, 2010	50 years
8.	Printer typesetting and printing software	Independent research and	2011SRBJ4190	Sep 28, 2011	50 years

9.	V1.0 Electronic newspaper business support platform software V1.0	Independent research and development	2011SRBJ4186	Sep 28, 2011	50 years
10.	Public information business platform software V1.0	Independent research and development	2011SRBJ3810	Sep 27, 2011	50 years
11.	User interface scripting software V1.0	Independent research and development	2011SRBJ3809	Sep 27, 2011	50 years
12.	Integrated business management platform software V1.0	Independent research and development	2012SR003002	Jan 16, 2012	50 years
13.	Interactive business development platform software	Independent research and development	2011SRBJ4593	Nov 29, 2011	50 years
14.	Instant messaging and messaging system software	Independent research and development	2014SR122231	Aug 5, 2014	50 years
15.	General statistical platform software for client products	Independent research and development	2014SR216662	Dec 30, 2014	50 years
16.	CMMB Data broadcast management platform software	Independent research and development	2009SRBJ0391	Jan 22, 2009	50 years
17.	Integrated passenger train service system	Independent research and development	2012SR083665	Sep 5, 2012	50 years

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No.	Name of Copyright	Achievement approach	Registration number	Registration date	Duration
18.	JHBY Train inspection management system	Independent research and development	2013SR015105	Feb 21, 2013	50 years
19.	Integrated information engine platform software V1.0	Independent research and development	2014SR040347	Nov 30, 2001	50 years
20.	Super information engine development platform software V5.0	Independent research and development	2014SR036792	Mar 5, 2003	50 years
21.	Core map super network information engine platform software V1.0	Independent research and development	2014SR036772	Sep 15, 2007	50 years
22.	Integrated management of the grid gis software V1.0	Independent research and development	2014SR036808	Jun 20, 2008	50 years
23.	Core map rural power grid equipment GPS patrol system software V1.0	Independent research and development	2014SR036810	Dec 10, 2008	50 years
24.	Diagram grid patrol PDA system software V1.0	Independent research and development	2014SR036778	Dec 12, 2008	50 years
25.	Core map geographic information engine desktop platform software V1.0	Independent research and development	2014SR036614	Jan 15, 2009	50 years
26.	Integrated management of the grid geographic information Web system software V1.0	Independent research and development	2014SR036799	Mar 10, 2009	50 years
27.	Core map railway power supply equipment GPS patrol system software V1.0	Independent research and development	2014SR036783	Mar 25, 2010	50 years
28.	Core map network 3 d map server software V1.0	Independent research and development	2014SR036788	Feb 20, 2011	50 years
29.	Core map network 3d map client software V1.0	Independent research and development	2014SR036637	Feb 22, 2011	50 years
30.	Core map 3d map network publishing platform software V1.0	Independent research and development	2014SR036633	Mar 10, 2011	50 years
31.	Core map 3d map network release plug-in system software V1.0	Independent research and development	2014SR036622	Mar 15, 2011	50 years
32.	Core map network 3d map smartphone platform software V1.0	Independent research and development	2014SR036638	Apr 28, 2011	50 years
33.	Core map network GIS Shared mobile platform software V1.0	Independent research and development	2014SR036634	Oct 31, 2011	50 years
34.	Core map network GIS sharing platform software V1.0	Independent research and development	2014SR036639	Dec 16, 2011	50 years

Trademarks:

We have registered the following trademarks with the Trademark Office, State Administration for Industry and Commerce in the PRC:

No	Trademark	Classification Number	Valid Period	Registration Number
1	Y-图形	38	2010.04.21-2020.04.20	6746069
2	Y-图形	41	2010.09.07-2020.09.06	6746067
3	YRADIO-文字	35	2010.07.21-2020.07.20	6733437
4	YRADIO-文字	38	2010.04.21-2020.04.20	6733438
5	YRADIO-文字	41	2010.09.07-2020.09.06	6733439
6	LookLook-图形	38	2009.04.07-2019.04.06	4666051
7	LookLook-图形	42	2008.12.21-2028.12.20	4666050
8	YTV-文字	35	2010.07.21-2020.07.20	6733579
9	YTV-文字	38	2010.05.28-2020.05.27	6733578
10	YTV-文字	41	2010.09.07-2020.09.06	6733581
11	YTV-文字	42	2010.09.07-2020.09.06	6733580
12	YOUTV-文字	35	2010.07.21-2020.07.20	6733440
13	YOUTV-文字	38	2010.05.28-2020.05.27	6733441
14	xfeng-文字	35	2012.03.28-2022.03.27	9229145

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No	Trademark	Classification		Valid Period	Registration Number
		Number			
15	xfeng-文字	38		2012.03.28-2022.03.27	9229160
16	xfeng-文字	41		2012.03.28-2022.03.27	9229190
17	xfeng-文字	42		2012.03.28-2022.03.27	9229221
18	中传视讯-文字+图形	42		2008.12.21-2028.12.20	4666047
19	中传视讯-文字	42		2008.12.21-2028.12.20	4666048
20	中传视讯-文字	38		2008.12.21-2028.12.20	4666049
21	新蜂-文字	38		2011.08.21-2021.08.20	8538907
22	新蜂-文字	42		2012.01.28-2022.01.27	8539078
23	新蜂潮-文字	38		2011.08.21-2021.08.20	8539104
24	新蜂潮-文字	42		2012.01.28-2022.01.27	8539141
25	新影力	41		2014.08.28-2024.08.27	12288643
26	小人-图形	35		2014.08.28-2024.08.27	12287985
27	小人-图形	38		2014.08.28-2024.08.27	12288580
28	小人-图形	41		2014.08.28-2024.08.27	12288629
29	小人-图形	42		2014.08.28-2024.08.27	12288435
30	中传-文字	38		2014.08.28-2024.08.27	12288267
31	中传-图形	38		2014.08.28-2024.08.27	12288289
32	中童-文字	41		2014.08.07-2024.08.06	12214085
33	中童在线-文字	41		2014.08.07-2024.08.06	12214092
34	翠鸟-文字	38		2014.08.07-2014.08.06	12214058
35	翠鸟-文字	42		2014.08.07-2014.08.06	12214125
36	爱翠鸟-文字	38		2014.08.07-2024.08.06	12214066
37	爱翠鸟-文字	41		2014.08.07-2024.08.06	12214096
38	爱翠鸟-文字	42		2014.08.07-2024.08.06	12214126
39	翠鸟-图形	35		2014.08.07-2024.08.06	12214040
40	翠鸟-图形	38		2014.08.07-2024.08.06	12214074
41	翠鸟-图形	41		2014.08.07-2024.08.06	12214100
42	翠鸟-图形	42		2014.08.07-2024.08.06	12214131
43	信号小喇叭图形+CMEDIA	41		2015.03.21-2025.03.20	12480439
44	LookLook-图形	38		2015.11.14-2025.11.13	11533428
45	LookLook-图形	42		2014.06.21-2024.06.20	11533720
46	LookLook-文字	38		2014.07.14-2024.07.13	11534067
47	LookLook-文字	42		2014.04.14-2024.04.13	11534227
48	L-图形	35		2014.02.28-2024.02.27	11535002
49	L-图形	38		2014.02.28-2024.02.27	11535073
50	L-图形	41		2014.02.28-2024.02.27	11535181
51	L-图形	42		2014.02.28-2024.02.27	11535262
52	箩筐-图形	41		2016.06.14-2026.06.13	16580228
53	箩筐-图形	42		2016.06.14-2026.06.13	16580227
54	箩筐-文字	42		2016.09.28-2026.09.27	16580249
55	箩筐-文字	41		2016.06.14-2026.06.13	16580250
56	箩筐-文字	35		2016.09.21-2026.09.20	16580252
57	箩筐-文字	9		2016.06.14-2026.06.13	16580253

No	Trademark	Classification		Valid Period	Registration Number
		Number			
58	箩筐-图形	38		2016.06.14-2026.06.13	16580229
59	箩筐-图形	35		2016.06.14-2026.06.13	16580230
60	箩筐-图形	9		2016.06.14-2026.06.13	16580231
61	微时光-文字	42		2016.09.28-2026.09.27	16580247
62	传游录屏-文字	9		2016.06.14-2026.06.13	16782144
63	传游录屏-文字	35		2016.06.14-2026.06.13	16782143
64	传游录屏-文字	38		2016.06.14-2026.06.13	16782142
65	传游录屏-文字	41		2016.06.14-2026.06.13	16782141
66	传游录屏-文字	42		2016.06.14-2026.06.13	16782140
67	录游器-文字	9		2016.06.14-2026.06.13	16782135
68	录游器-文字	35		2016.06.14-2026.06.13	16782136
69	录游器-文字	38		2016.06.14-2026.06.13	16782137
70	录游器-文字	41		2016.06.14-2026.06.13	16782138
71	录游器-文字	42		2016.06.14-2026.06.13	16782139
72	畅联TV-文字	41		2016.01.21-2026.01.20	15792467
73	畅联TV-文字	38		2016.01.21-2026.01.20	15792468
74	SuperEngine	9		2016.01.21-2026.01.20	8125722
75	SuperEngine	42		2016.01.21-2026.01.20	8125728
76	超擎	9/42		2016.01.21-2026.01.20	16473205
77	SUPERENGINE	9/42		2016.01.21-2026.01.20	16473185

* See below for an explanation of each classification number used in the table above.

Classification No. 9: data processing apparatus, couplers (data processing equipment), computer software (recorded), monitors (computer programs), smart cards (integrated circuit cards), electro-dynamic apparatus for the remote control of signals, alarms, and electric installations for the remote control of industrial

operations.

Classification No. 35: auctioneering, sales promotion for others, marketing analysis, marketing research, import-export agencies, advisory services for business management, business management for franchise, personnel management consultancy, relocation services for businesses, and systemization of information into computer databases.

Classification No. 38: Include services that enable at least sensory communication between two people. Such services include that allow one person to talk to another, send messages from one person to another, Make verbal or visual contact between one person and the other. This classification especially includes the service for broadcasting radio or television programs. Except for radio advertising services and telemarketing services.

Classification No. 41: instruction services, teaching, education information, tuition, arranging and conducting of colloquiums, publication of electronic books and journals on-line, amusements, and vocational guidance.

Classification No. 42: technical research, studies (technical project), computer software design, updating of computer software, recovery of computer data, computer systems analysis, installation of computer software, computer anti-virus protection, and research and development for others.

Business Certificates and Qualifications

We have obtained all necessary regulatory certifications to conduct our business in the PRC, including without limitation, the following: Software Enterprise Recognition Certificate, Computer Information System Integration Qualification Certificate, Construction Enterprise Qualification Certificate, and Security Technology & Protection Enterprise Certificate. We have also been properly certified as a high-tech enterprise and have met the ISO 9001:2000 qualification management system.

Legal Proceedings

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we do not believe that we are a party to any litigation that will have a material adverse impact on our financial condition or results of operations. To our knowledge, other than as described below there are no material legal proceedings threatened against us. From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business. Following the consummation of the AEA, we became successor in interest to the legal proceedings described below.

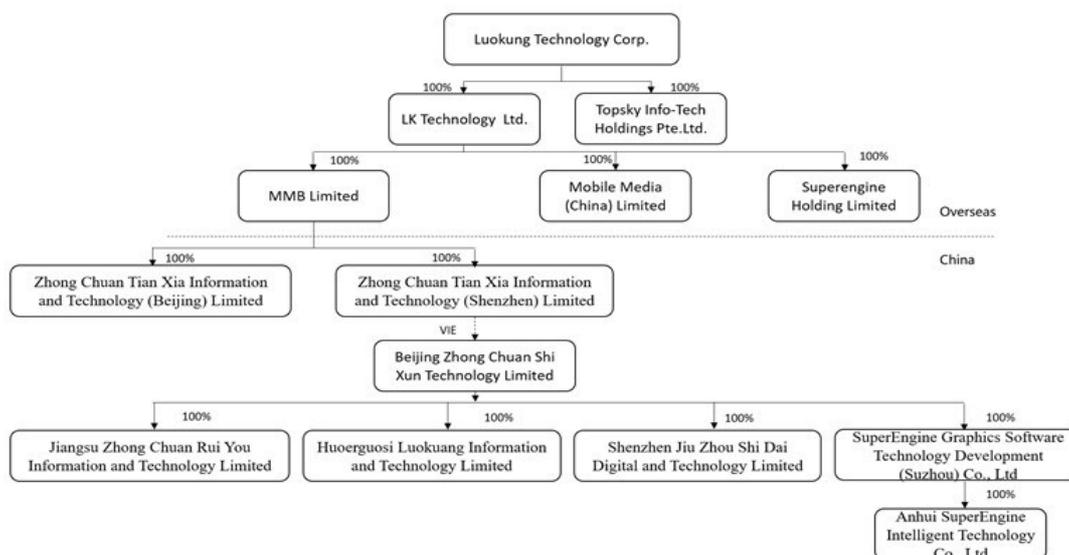
Lawsuit with Gansu Jinlun Culture Media Co., Ltd.

On August 22, 2014, Zhong Chuan Rui You and Gansu Jinlun Culture Media Co., Ltd. (“Gansu Jinlun”) signed a “Lanzhou Railway Bureau Air-conditioned Train Wi-Fi Network System Advertising Operation Rights Agreement” for advertising on 72 trains of \$1,467,880 (RMB9,604,633). Due to the dispute on the project implementation, Zhong Chuan Rui You did not pay the advertising fee. On August 23, 2017, Gansu Jinlun filed a lawsuit with Gansu Intermediate People’s Court. On December 19, 2017, Gansu Intermediate People’s Court issued a verdict, ruling that Zhong Chuan Rui You settle the overdue advertising fee.

Zhong Chuan Rui You and Gansu Jinlun are negotiating a potential settlement to resume the contract. According to the legal counsel, it is probable that the settlement will amount to approximately \$459,000 (RMB3,000,000), therefore, this amount has been accrued in accounts payable as at December 31, 2018.

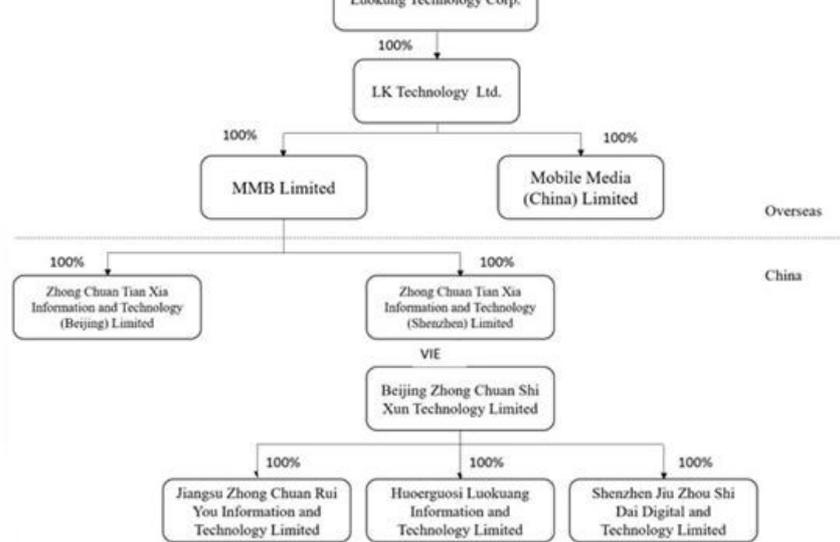
C. ORGANIZATIONAL STRUCTURE

The following diagram illustrates our corporate structure and the place of formation and affiliation of each of our subsidiaries and affiliates as of December 31, 2018.



The following diagram illustrates our corporate structure and the place of formation and affiliation of each of our subsidiaries and affiliates as of December 31, 2017.





VIE Arrangements with Beijing Zhong Chuan Shi Xun Technology Limited's Subsidiaries and Their Respective Shareholders

To comply with the PRC legal restrictions on foreign ownership of companies that operate mobile application services, our subsidiaries operate in such restricted service areas in the PRC through certain PRC domestic companies, whose equity interests are held by certain management members or founders of the LK Technology Ltd. Part of the registered capital of these PRC domestic companies was funded by certain management members or founders of LK Technology Ltd. LK Technology Ltd., through its subsidiary Zhong Chuan Tian Xia Information and Technology (Shenzhen) Limited (the “WFOE”), has entered into an exclusive business cooperation agreement with Beijing Zhong Chuan Shi Xun Technology Limited (“Zhong Chuan Shi Xun” or the “VIE”) the PRC domestic company, which entitle the WFOE to receive a majority of profit of Zhong Chuan Shi Xun. In addition, Zhong Chuan Tian Xia Information and Technology (Shenzhen) Limited has entered into certain agreements with those management members or founders, including equity interest pledge agreement of the equity interests held by those management members or founders and exclusive option agreement to acquire the equity interests in these companies when permitted by the PRC laws, rules and regulations. Details of the typical VIE structure of our significant consolidated VIE, primarily domestic companies associated with the operations such as Zhong Chuan Shi Xun and its subsidiaries of Jiangsu Zhong Chuan Rui You Information and Technology Limited (“Zhong Chuan Rui You”), Huoerguosi Luokuang Information and Technology Limited (“Huoerguosi Luokuang”) and Shenzhen Jiu Zhou Shi Dai Digital and Technology Limited (“Jiu Zhou Shi Dai”), are set forth below:

Exclusive Business Cooperation Agreement

The VIE has entered into an exclusive business services agreement with the WFOE, pursuant to which the WFOE provides exclusive business services to the VIE. In exchange, the VIE pays a service fee to the WFOE which typically amounts to what would be substantially all of the VIE’s pre-tax profit, resulting in a transfer of substantially all of the profits from the VIE to the WFOE.

Exclusive Option Agreement

The VIE equity holders have granted the WFOE exclusive call options to purchase their equity interest in the VIE at an exercise price equal to the minimum price as permitted by applicable PRC laws. The WFOE may nominate another entity or individual to purchase the equity interest, if applicable, under the call options. Each call option is exercisable subject to the condition that applicable PRC laws, rules and regulations do not prohibit completion of the transfer of the equity interest pursuant to the call option. The VIE agrees not to distribute any dividends to the VIE equity holders without the approval of WFOE.

Equity Interest Pledge Agreement

Pursuant to the equity pledge agreement, the VIE equity holders have pledged all of their interests in the equity of the VIE as a continuing first priority security interest in favor of the WFOE to secure the performance of obligations by the VIEs and/or the equity holders under the exclusive business cooperation agreement. The WFOE is entitled to exercise its right to dispose of the VIE equity holders’ pledged interests in the equity of the VIE and has priority in receiving payment by the application of proceeds from the auction or sale of such pledged interests, in the event of any breach or default under the exclusive business cooperation agreement, if applicable. These equity pledge agreements remain in force until all the obligations under the exclusive business cooperation agreement have been fulfilled.

The exclusive business cooperation agreement and equity interest pledge agreement described above also enable the Company to receive substantially all of the economic benefits from the VIE by typically entitling the WFOE to all dividends and other distributions declared by the VIE and to any distributions or proceeds from the disposal by the VIE equity holders of their equity interests in the VIE.

D. PROPERTY AND EQUIPMENT

We lease offices located at Lab 30 & Lab 32, SOHO 3Q, No 9, Guanghua Road, Chaoyang District, Beijing, which covers a floor space of 600 square meters. These leases expire at different times throughout 2019 and are renewable upon negotiation.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes to those financial statements appearing elsewhere in this report. This discussion and analysis contain forward-looking statements that involve significant risks and uncertainties. As a result of many factors, such as our anticipated growth strategy, our plans to recruit more employees, our plans to invest in research and development to enhance our product or service lines, our future business development, results of operations and financial condition, expected changes in our net revenues and certain cost or expense items, our ability to attract and retain customers, trends and competition in the enterprise mobile software application market, and the factors set forth elsewhere in this report, our actual results may differ materially from those anticipated in these forward-looking statements. In light of those risks and uncertainties, there can be no assurance that the forward-looking statements

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by U.S. federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. Further, the information about our intentions contained in this report is a statement of our intention as of the date of this report and is based upon, among other things, the existing regulatory environment, industry conditions, market conditions and prices and our assumptions as of such date. We may change our intentions, at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

Unless the context otherwise requires, all references to (i) “PRC” and “China” are to the People’s Republic of China; (ii) “U.S. dollar,” “\$” and “US\$” are to United States dollars; and (iii) “RMB”, “Yuan” and Renminbi are to the currency of the PRC or China.

Overview

Luokung Technology Corp. was incorporated on October 27, 2009 under the laws of the British Virgin Islands. We are a holding company and conduct our operations through our wholly-owned subsidiary named LK Technology Ltd., a British Virgin Islands limited liability company (“LK Technology”), and its wholly-owned subsidiaries, MMB Limited and its respective subsidiaries, which possess two core brands “Luokuang” and “SuperEngine”. “Luokuang” is a mobile application to provide Business to Customer (B2C) location-based services and “SuperEngine” provides Business to Business (B2B) and Business to Government (B2G) services in connection with spatial-temporal big data processing. In May 2010, we consummated an initial public offering of our American Depository Shares, or ADSs, for gross proceeds of \$16 million, and our ADSs were listed on the NASDAQ Capital Market under the ticker symbol “KONE”. On August 17, 2018, we completed the transactions contemplated by the Asset Exchange Agreement (“AEA”) with C Media Limited (“C Media”) entered into on January 25, 2018. On August 20, 2018, we changed our name to Luokung Technology Corp., our American Depository Shares (“ADSs”) were voluntarily delisted from the NASDAQ Capital Market on September 19, 2018 and on January 3, 2019 our ordinary shares started trading on NASDAQ under the ticker symbol “LKCO”.

On August 17, 2018, we consummated an asset exchange transaction, pursuant to which we exchanged all issued and outstanding capital stock in Topsy Info-Tech Holdings Pte Ltd., the parent of Softech, for the issued and outstanding capital stock of LK Technology (the “Asset Exchange”). In connection with the Asset Exchange, we changed our name on August 20, 2018, and on September 20, 2018, completed the issuance to the shareholders of C Media Limited, the former parent of LK Technology, of (i) 185,412,599 of our ordinary shares, par value \$0.01 per share and (ii) 1,000,000 of our preferred shares. Upon the consummation of the Asset Exchange, we ceased our previous business operations and became a company focused on the provision of location-based service and mobile application products for long distance travelers in China.

On August 25, 2018, LK Technology entered into a Stock Purchase Agreement (the “Agreement”) with the shareholders (“Shareholders”) of Superengine Holding Limited, a limited liability company incorporated under the laws of the British Virgin Islands (the “Superengine”), pursuant to which LK Technology acquired all of the issued and outstanding shares of Superengine for an aggregate purchase price of US\$60 million (the “Purchase Price”), which was paid by the issuance of our Ordinary Shares in an amount equal to the quotient of (x) the Purchase Price divided by (y) the average of the closing prices of the Ordinary Shares on the NASDAQ Capital Market over the 12 months period preceding July 31, 2018. We are a party to the Agreement in connection with the issuance of the Ordinary Shares and certain other limited purposes.

Results of operations for the fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017.

Revenue

Display-based online advertising services. The Company provides display-based online advertising services to customers by integrating text description, image and video, and displaying the advertisements in a prominent position of Luokuang mobile application on a cost-per-click basis. The customers pay us only when a user clicks on an advertisement on the Luokuang mobile application. The Company recognizes revenue over time because the customer receives and consumes the benefit of our advertising services throughout the contract period.

Software and services The Company generates revenues primarily in the form of sale of software license and provision of technology solution services. License fees include perpetual license fees, term license fees and royalties. Technology services primarily consist of fees for providing technology solution services that enable customers to gain real-time operational intelligence by harnessing the value of their data.

Revenue for the sale of software licenses is recognized at the point in time when the control of the provided goods is provided to our customers.

Technology solution revenue is recognized over time, as the services are performed because the customer receives and consumes the benefit of our performance throughout the contract period. Milestones with corresponding payment are stated in the contracts with customers. We bill for the services we have performed when the milestones reached are accepted by the customer in accordance with the terms of the contract. We recognize the revenues associated with these professional services as we deliver each agreed portion of the services.

	Fiscal Year Ended		2018 to 2017 % Change
	December 31, 2018	December 31, 2017	
	(dollars in thousands)		
Revenues			
Advertising	\$ 20,703	\$ 26,082	(20.6)%
License	203	-	100.0%
Technology Services	136	-	100.0%
Total revenues	\$ 21,042	\$ 26,082	(19.3)%
Advertising	98.3%	100.0%	
License	1.0%	-	
Technology Services	0.7%	-	
Total	100.0%	100.0%	

For the year ended December 31, 2018, we had revenue of \$21,042,363, as compared to revenue of \$26,082,417 for the year ended December 31, 2017, a change of \$5,040,054, or 19.3%, which was primarily due to most of our on-train Wi-Fi equipment being disassembled in the fourth quarter of 2018 for upgrade projects, and we were not able to provide the on-train advertising through the Luokuang mobile application, which caused the advertising revenue to decrease.

Cost of revenue

Our cost of revenue primarily consists of depreciation, Wi-Fi equipment installation fees, amortization, spare parts, annual payments to local railway bureau and other overhead costs.

	Year Ended December 31,					
	2018			2017		
	Amount	% of cost of revenue	% of revenue	Amount	% of cost of revenue	% of revenue
Depreciation	\$ 2,807	40.4%	13.3%	\$ 2,423	43.6%	9.3%
Wi-Fi equipment installation fees	1,884	27.2%	9.0%	1,070	19.3%	4.1%
Spare parts	1,006	14.5%	4.8%	348	6.3%	1.3%
Amortization	414	6.0%	2.0%	610	11.0%	2.3%
Resource cost	557	8.0%	2.6%	686	12.4%	2.6%
Others	270	3.9%	1.3%	411	7.4%	1.6%
Total cost of revenue	\$ 6,938	100.0%	33.0%	\$ 5,548	100.0%	21.3%

Cost of revenue for the year ended December 31, 2018 was \$6,938,063, representing an increase of \$1,390,284 or 25.1% as compared to \$5,547,779 for the year ended December 31, 2017. The increase was primarily attributable to the increase in Wi-Fi equipment installation fees and spare parts for the Wi-Fi equipment upgrade program we conducted in 2018.

Selling and marketing expense

Our selling and marketing expense mainly include promotional and marketing expenses and compensation for our sales and marketing personnel.

Selling expense totaled \$14,695,165 for the year ended December 31, 2018, as compared to \$23,908,733 for the year ended December 31, 2017, a decrease of \$9,213,568 or 38.5%. The decrease was primarily attributable to a decrease in promotional and marketing activities of approximately \$9,100,000, which was due to the popularity of Luokuang APP remaining quite stable, and we determined to reduce the promotional and marketing activities at this stage.

General and administrative expense

Our general and administrative expenses consist primarily of salaries and benefits for our general and administrative personnel, rent, fees and expenses for legal, accounting and other professional services.

General and administrative expense totaled \$6,750,417 for the year ended December 31, 2018, as compared to \$2,451,249 for the year ended December 31, 2017, an increase of \$4,299,168 or 175.4%. The increase was primarily attributable to an increase of impairment loss of approximately \$3,579,000 including the bad debts written off of approximately \$869,000, the allowance for doubtful receivables of approximately \$1,783,000, and impairment loss over the intangible assets of approximately \$724,000 as we are no longer using the software system that we purchased in 2014, and an impairment loss over the property, plant and equipment of approximately \$203,000, as we wrote off certain Wi-Fi equipment that is no longer in use.

Research and development expenses.

Research and development expenses primarily consist of salaries and benefits for research and development personnel.

Research and development expenses totaled \$3,478,570 for the year ended December 31, 2018, as compared to \$1,046,198 for the year ended December 31, 2017, an increase of \$2,432,372 or 232.5%. The increase was primarily attributable to the amortization of the intangible assets of approximately \$1,809,000, which was recognized as a result of the acquisition of Super Engine Holdings Limited in accordance to PPA.

Loss from operations

As a result of the factors described above, for the year ended December 31, 2018, loss from operations amounted to \$10,819,852, as compared to loss from operations of \$6,871,542 for the year ended December 31, 2017, an increase of \$3,948,310, or 57.5%.

Other income/expense

Other income/expense mainly include interest expenses from other loans and foreign currency gains/losses.

For the year ended December 31, 2018, other expense, net, amounted to \$1,033,675 as compared to other income, net, of \$61,088 for the year ended December 31, 2017, a change of \$1,094,763, or 1,792.1%, which was primarily attributable to an increase in foreign currency transaction loss of approximately \$1,555,000 and an increase in interest expenses of approximately \$54,000, offset by an increase in other income of approximately \$513,000, which mainly constitutes the government subsidy of approximately \$360,000, investment income of approximately \$37,000 and other income of approximately \$116,000.

Income tax

We had income tax expense of \$74,009, \$0 and \$0 for the years ended 2018, 2017 and 2016, respectively. We are subject to various rates of income tax under different jurisdictions. The following summarizes the major factors affecting our applicable tax rates in the BVI, Hong Kong and the PRC.

BVI

We are an exempted company incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, we are not subject to income, corporation or capital gains tax in the British Virgin Islands. In addition, our payment of dividends to our shareholders, if any, is not subject to withholding tax in the British Virgin Islands.

Hong Kong

Our subsidiaries in Hong Kong are subject to the uniform tax rate of 16.5%. Under Hong Kong tax law, our subsidiaries in Hong Kong are exempted from income tax on their foreign-derived income and there is no withholding tax in Hong Kong on remittance of dividends.

PRC

Generally, our PRC subsidiaries, our consolidated affiliated entities and their subsidiaries are subject to enterprise income tax on their taxable income in the PRC at a rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

An enterprise may benefit from a preferential tax rate of 15% under the EIT Law if it qualifies as a High and New Technology Enterprise, which is normally effective for a period of three years. Our subsidiaries, Beijing Zhong Chuan Shi Xun Technology Limited and Superengine Graphics Software Technology Development (Suzhou) Co., Ltd are a High-tech enterprise and enjoy a favorable income tax rate of 15%.

Net loss

As a result of the factors described above, our net loss was \$11,927,536 for the year ended December 31, 2018, compared to net loss of \$6,810,454 for the year ended December 31, 2017, an increase of \$5,117,082 or 75.1%.

Foreign currency translation adjustment

Our reporting currency is the U.S. dollar. The functional currency of our parent company and subsidiaries of LK Technology, MMB and Mobile Media is the U.S. dollar and the functional currency of the Company's subsidiaries incorporated in China is the Chinese Renminbi ("RMB"). The financial statements of our subsidiaries incorporated in China are translated to U.S. dollars using period end rates of exchange for assets and liabilities, and average rates of exchange (for the period) for revenue, costs, and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations and comprehensive loss. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation gain of \$447,246 for the year ended December 31, 2018, as compared to a foreign currency translation gain of \$ 90,671 for the year ended December 31, 2017. This non-cash gain had the effect of increasing/decreasing our reported comprehensive income/loss.

Comprehensive loss

As a result of our foreign currency translation adjustment, we had comprehensive loss for the year ended December 31, 2018 of \$11,480,290, compared to comprehensive loss of \$ 6,719,783 for the year ended December 31, 2017.

Comparison of results of operations for the year ended December 31, 2017 and 2016

Revenue

For the year ended December 31, 2017, we had revenue of \$26,082,417, as compared to revenue of \$5,233,145 for the year ended December 31, 2016, an increase of \$20,849,272, or 398.4%, which was primarily due to the increase in sales to our advertising clients as we deployed more Wi-Fi equipment on more trains and caused the growth of the users of Luokuang APP.

Cost of revenue

Our cost of revenue primarily consists of depreciation, labor cost, Wi-Fi equipment installation fees, data charges, annual payments to local railway bureau, other overhead costs.

Cost of revenue for the year ended December 31, 2017 was \$5,547,779, representing a decrease of \$767,725 or 12.2% as compared to \$6,315,504 for the year ended December 31, 2016. The decrease was primarily attributable to the decrease in labor cost as a result of our cost control and a decrease in the number of maintenance staff. Additionally, data charges decreased as train passengers prefer using their mobile data, leading to a decrease in 3G and 4G data.

Selling and marketing expense

Our selling and marketing expense mainly include promotional and marketing expenses and compensation for our sales and marketing personnel.

Selling expense totaled \$23,908,733 for the year ended December 31, 2017, as compared to \$6,209,804 for the year ended December 31, 2016, an increase of \$17,698,929 or 285.0%. The increase was primarily attributable to the increase in promotional and marketing activities conducted by the Company to promote the Luokuang APP to attract more off-train users.

General and administrative expense

Our general and administrative expenses consist primarily of salaries and benefits for our general and administrative personnel, rent, fees and expenses for legal, accounting and other professional services

General and administrative expense totaled \$2,451,249 for the year ended December 31, 2017, as compared to \$2,108,854 for the year ended December 31, 2016, an increase of \$342,395 or 16.2%.

Research and development expenses.

Research and development expenses primarily consist of salaries and benefits for research and development personnel.

Research and development expenses totaled \$1,046,198 for the year ended December 31, 2017, as compared to \$2,882,202 for the year ended December 31, 2016, a decrease of \$1,836,004 or 63.7%. The decrease was primarily attributable to the Company reducing its expenses in research and development temporarily as our products were quite stable.

Loss from operations

As a result of the factors described above, for the year ended December 31, 2017, loss from operations amounted to \$6,871,542, as compared to loss from operations of \$12,283,219 for the year ended December 31, 2016, a decrease of \$5,411,677, or 44.1%.

Other income/expense

Other income/expense mainly include interest expense from loans, foreign currency gains/losses, and loss from investment.

Net loss

As a result of the factors described above, our net loss was \$6,810,454 for the year ended December 31, 2017, compared to net loss of \$13,049,031 for the

Foreign currency translation adjustment

Our reporting currency is the U.S. dollar. The functional currency of our parent company and subsidiaries of LK Technology, MMB and Mobile Media is the U.S. dollar and the functional currency of the Company's subsidiaries incorporated in China is the Chinese Renminbi ("RMB"). The financial statements of our subsidiaries incorporated in China are translated to U.S. dollars using period end rates of exchange for assets and liabilities, and average rates of exchange (for the period) for revenue, costs, and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations and comprehensive loss. As a result of foreign currency translations, which is a non-cash adjustment, we reported a foreign currency translation gain of \$90,671 for the year ended December 31, 2017, as compared to a foreign currency translation gain of \$387,375 for the year ended December 31, 2016. This non-cash gain had the effect of increasing/decreasing our reported comprehensive income/loss.

Comprehensive loss

As a result of our foreign currency translation adjustment, we had comprehensive loss for the year ended December 31, 2017 of \$6,719,783, compared to comprehensive loss of \$12,661,656 for the year ended December 31, 2016.

Critical accounting policies

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. The SEC has defined the most critical accounting policies as the ones that are most important to the portrayal of our financial condition and results and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our most critical policies include revenue recognition, impairment of long-lived assets and goodwill, allowance for doubtful accounts and valuation allowance for deferred tax assets.

Below, we discuss these policies further, as well as the estimates and judgments involved. We believe that our other policies either do not generally require us to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on our reported financial condition and results of operations for a given period. For a discussion of all our significant accounting policies, see footnote 2 to the Consolidated Financial Statements included elsewhere in this Annual Report.

Revenue recognition

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

On January 1, 2018, the Company adopted ASC Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after December 31, 2017 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. There was no material effect from the adoption of ASC 606 to our financial statements.

Display-based online advertising services

The Company provides display-based online advertising services to customers by integrating text description, image and video, and displaying the advertisements in a prominent position of Luokuang mobile application on a cost-per-click basis. The customers pay us only when a user clicks on an advertisement on the Luokuang mobile application. The Company recognizes revenue over time because the customer receives and consumes the benefit of our advertising services throughout the contract period.

Software and services

The Company generates revenues primarily in the form of sale of software license and provision of technology solution services. License fees include perpetual license fees, term license fees and royalties. Technology services primarily consist of fees for providing technology solution services that enable customers to gain real-time operational intelligence by harnessing the value of their data.

Revenue for the sale of software licenses is recognized at the point in time when the control of the provided goods is provided to our customers.

Technology solution revenue is recognized over time, as the services are performed because the customer receives and consumes the benefit of our performance throughout the contract period. Milestones with corresponding payment are stated in the contracts with customers. We bill for the services we have performed when the milestones reached are accepted by the customer in accordance with the terms of the contract. We recognize the revenues associated with these professional services as we deliver each agreed portion of the services.

The Company does not offer credits or refunds and therefore has not recorded any sales return allowance for any of the periods presented. Upon a periodic review of outstanding accounts receivable, amounts that are deemed to be uncollectible are written off against the allowance for doubtful accounts. The Company's policy is to record revenues net of any applicable sales, use or excise taxes.

Impairment of long-lived assets

Long-lived assets other than goodwill are included in impairment evaluations when events and circumstances exist that indicate the carrying value of these assets may not be recoverable. In accordance with FASB ASC 360, Property, Plant and Equipment, the Company assesses the recoverability of the carrying value of long-lived assets by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the asset group) and, secondly, estimating the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, the Company recognizes an impairment loss to the extent the carrying value of the long-lived asset exceeds its fair value. The Company determines fair value through quoted market prices in active markets or, if quotations of market prices are unavailable, through the performance of internal analysis using a discounted cash flow methodology or obtains external appraisals from independent valuation firms. The undiscounted and discounted cash flow analyses are based on a number of estimates and assumptions, including the expected period over which the asset will be utilized, projected future operating results of the asset group, discount rate and long-term growth rate.

As of December 31, 2018 and 2017, the Company assessed the impairment of its long-lived assets and identified impairment indications. For intangible assets, as the Company is not going to use a software system that purchased in 2014, an impairment loss of \$724,437 on intangible assets was recorded for the year ended December 31, 2018 (\$nil for the years ended December 31, 2017 and 2016). For property plant and equipment, the Company recorded an impairment loss for Wi-Fi equipment that will not be used of \$1,228,362 (\$nil for the year ended December 31, 2017 and 2016).

Impairment of goodwill

The Company assesses goodwill for impairment in accordance with ASC 350-20, Intangibles—Goodwill and Other: Goodwill, which requires that goodwill to be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20.

The Company has the option to assess qualitative factors first to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20. If the Company believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described below is required. Otherwise, no further testing is required. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on either quoted market prices of the ordinary shares or estimated fair value using a combination of the income approach and the market approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss.

In 2018, the Company performed a qualitative assessment for goodwill. Based on the requirements of ASC 350-20, the Company evaluated all relevant factors, including but not limited to macroeconomic conditions, industry and market conditions, financial performance. The Company weighed all factors in their entirety and concluded that it was not more-likely-than-not the fair value was less than the carrying amount of the reporting unit, and further impairment testing on goodwill was unnecessary as of December 31, 2018 and 2017.

Accounts receivable, net of allowance

Accounts receivable are recognized and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. The Company generally does not require collateral from its customers.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of customers to make payments on time. The Company reviews the accounts receivable on a periodic basis and makes specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, the customer's payment history, its current credit-worthiness and current economic trends.

Income taxes

Deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to the Company as enacted by the relevant tax authorities.

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the Company classifies the interest and penalties, if any, as a component of income tax expense. For years ended December 31, 2018, 2017 and 2016, the Company did not have any material interest or penalties associated with tax positions nor did the Company have any significant unrecognized uncertain tax positions.

Recent accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Subtopic 842)." The new guidance requires lessees to recognize assets and liabilities arising from leases as well as extensive quantitative and qualitative disclosures. A lessee will need to recognize on its balance sheet a right-of-use asset and a lease liability for the majority of its leases (other than leases that meet the definition of a short-term lease). The lease liabilities will be equal to the present value of lease payments. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. The Company will adopt the new standard on January 1, 2019 using the modified retrospective approach. Due to its immaterial lease commitments at December 31, 2018, the Company expect the impact of the standard adoption to increase its assets and liabilities within its consolidated balance sheet. These increases will result from the recognition of its existing right-of-use and liabilities required by ASU 2016-02.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments", which will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which a company recognizes an allowance based on the estimate of expected credit loss. The Company is currently evaluating the impact of adopting this standard 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.

B. LIQUIDITY AND CAPITAL RESOURCES

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. We historically relied on cash flow provided by operations and financing to supplement our working capital. At December 31, 2018 and 2017, we had cash balances of approximately \$1,192,218 and \$72,379, respectively. The significant portion of these funds are located in financial institutions located in the PRC and will continue to be indefinitely reinvested in our operations in the PRC.

The following table sets forth a summary of changes in our working capital from December 31, 2017 to December 31, 2018:

	December 31, 2017 to December 31, 2018			
	December 31, 2018	December 31, 2017	Change	Percentage Change
Working capital deficit:				
Total current assets	\$ 31,538,510	\$ 23,939,441	\$ 7,599,069	31.7%
Total current liabilities	33,733,887	25,311,113	8,422,774	33.3%
Working capital deficit:	\$ (2,195,377)	\$ (1,371,672)	\$ (823,705)	60.1%

Our working capital deficit increased by \$823,705 to working capital deficit of \$2,195,377 at December 31, 2018 from working capital deficit of \$1,371,672 at December 31, 2017. This increase in working capital deficit is primarily attributable to a decrease in amounts due from related party of approximately \$6,825,000, an increase in accrued liabilities and other payables of approximately \$11,751,000, which was mainly due to the increase of the advertising payable, offset by an increase in accounts receivable of approximately \$12,932,000, an increase in other receivables of approximately \$372,000, and a decrease in accounts payable of approximately \$2,174,000.

We intend to meet the cash requirements for the next 12 months from the issuance date of this report through a combination of debt and equity financing such as by way of private placements.

Cash flows for the year ended December 31, 2018 compared to the year ended December 31, 2017

The following summarizes the key components of our cash flows for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
Net cash used in operating activities	\$ (6,924,876)	\$ (8,973,695)
Net cash provided by investing activities	1,184,468	17,253
Net cash provided by financing activities	6,874,994	8,938,290
Effect of foreign exchange rate changes	(14,747)	6,688
Net increase (decrease) in cash	\$ 1,119,839	\$ (11,464)

Net cash flow used in operating activities was \$6,924,876 for the year ended December 31, 2018 as compared to net cash flow used in operating activities was \$8,973,695 for the year ended December 31, 2017, a decrease of \$2,048,819.

Net cash flow used in operating activities for the year ended December 31, 2018 primarily reflected our net loss of approximately \$11,927,000, and the add-back of non-cash items, mainly consisting of depreciation and amortization of approximately \$5,121,000, allowance for doubtful receivables of approximately \$1,845,000, bad debts written off of approximately \$944,000 impairment of intangible assets of approximately \$724,000, impairment of PPE of approximately \$1,228,000, exchange difference of approximately \$1,339,000, and changes in operating assets and liabilities primarily consisting of an increase in accounts receivable of approximately \$16,319,000, a decrease in deferred revenue of approximately \$963,000, and a decrease in accounts payable of approximately \$2,109,000, offset by a decrease in other receivables and prepayment of approximately \$2,433,000 and an increase in accrued liabilities and other payables of approximately \$10,684,000.

Net cash flow used in operating activities for the year ended December 31, 2017 primarily reflected our net loss of approximately \$6,810,000, and the add-back of non-cash items, mainly consisting of depreciation and amortization of approximately \$3,316,000, loss on disposal of property and equipment of approximately \$115,000, allowance for doubtful accounts of approximately \$445,000, exchange difference of approximately \$906,000 and changes in operating assets and liabilities primarily consisting of an increase in accounts receivable of approximately \$7,934,000, an increase in other receivables and prepayment of approximately \$2,203,000 and a decrease in accounts payable of approximately \$1,674,000, offset by an increase in accrued liabilities and other payables of approximately \$4,732,000 and an increase in deferred revenue of approximately \$1,945,000.

Net cash flow provided by investing activities was \$1,184,468 for the year ended December 31, 2018 as compared to \$17,253 for the year ended December 31, 2017. During the year ended December 31, 2018, we made payments for the purchase of property, plant and equipment of approximately \$33,000, offset by proceeds received from disposal of deposits of approximately \$604,000 and cash received from acquisition subsidiaries of approximately \$613,000. During the year ended December 31, 2017, we made payments for the purchase of property and equipment of approximately \$13,000, offset by proceeds from disposal of property and equipment of approximately \$30,000.

Net cash flow provided by financing activities was \$6,874,994 for the year ended December 31, 2018 as compared to net cash flow provided by financing activities of \$8,938,290 for the year ended December 31, 2017. During the year ended December 31, 2018, we received advances from related parties of approximately \$6,875,000. During the year ended December 31, 2017, we received advances from related parties of approximately \$8,938,000.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

The discussions of our research and development activities were contained in “Item 4. Information about our Company – B. Business Overview – Research and Development” and “Item 5. Operating and Financial Review and Prospects – A. Operating Results – Operating Expenses – Research and Development Expenses” are incorporated herein by reference. In the years ended December 31, 2018, 2017 and 2016, we spent \$3,478,570, \$1,046,198 and \$2,882,202, respectively, on research and development activities.

D. TREND INFORMATION.

Industry and Market Outlook

China has awarded licenses to mobile phone companies to provide the superfast 4G network to customers. The licenses, which are designed to give mobile phone users faster access to services, were granted by the government to China Mobile, China Unicom Hong Kong and China Telecom. Since the grants, China Mobile has offered 4G to subscribers from December 18, 2013. China Unicom and China Telecom, the country’s other two major carriers, also offer 4G wireless. The number of China Mobile 4G customers has exceeded 900 million by the end of October in 2017. The move greatly bolstered business for telecom equipment makers and a range of other companies.

Under China’s 12th Five-Year Plan, a key priority is for China to transition from “Made in China” to “Designed in China.” In order to achieve this goal, the government plans to heavily invest in science and technology education and R&D so as to further develop China’s intellectual property rights system and support “Next-Generation IT” as a Strategic Emerging Industry (SEI). Additionally, China plans to upgrade the technological capabilities of private and public services,

E. OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders’ equity, or that are not reflected in our consolidated financial statements. 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 engages in leasing, hedging or research and development services with us.

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F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Contractual obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of December 31, 2018 (dollars in thousands), and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

Contractual obligations:	Payments Due by Period				
	Total	Less than 1 year	1-2 years	3-5 years	More than 5 years
Accounts payable	\$ 758	\$ 758	\$ -	\$ -	\$ -
Accrued liabilities and other payables	23,469	23,224	245	-	-
Operating lease	268	268	-	-	-
Total	\$ 24,495	\$ 24,250	\$ 245	\$ -	\$ -

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

A. DIRECTORS AND SENIOR MANAGEMENT.

Executive Officers and Directors

The following table sets forth the names and ages as of the date of this annual report of each of our executive officers and directors:

Name	Age	Position
Xuesong Song	50	Chief Executive Officer, Chairman and Director
Dongpu Zhang	50	President
Baomin Li	49	Chief Technical Officer
Jie Yu	34	Chief Financial Officer
Kegang Peng	46	Vice President and Director
Chuang Tao	51	Director (Independent)
Dennis Galgano (1)(2)	70	Director (Independent)
Jin Shi (1)(2)	49	Director (Independent)
Jiming Ha (1)(3)	56	Director (Independent)
Zhihao Xu (3)	42	Director (Independent)

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

Set forth below is biographical information concerning our executive officers and directors.

Xuesong Song is a co-founder of C Media Limited and served as its Chairman of the board of directors and Chief Executive Officer from 2012 until the consummation of the AEA. From February 2014 through April 2017, Mr. Song served as a director of Seven Stars Cloud Group, Inc. (NASDAQ: SSC) and from January 2013 through February 2015, Mr. Song served as a director of Pingtan Marine Enterprise Ltd. (NASDAQ: PME). From May 2006 through January 2009, Mr. Song served as the Chairman of the Board of ChinaGrowth North Acquisition Corporation, a special purpose acquisition company, which acquired UIB Group Limited in January 2009, in which he remains a director. Mr. Song has been a principal of Chum Capital Group Limited since August 2001, a merchant banking firm that invests in growth Chinese companies and advises them in financings, mergers & acquisitions and restructurings, and Chief Executive Officer of Beijing Chum Investment Co., Ltd. since December 2001. Mr. Song has been a director of Mobile Vision Communication Ltd. since July 2004. Mr. Song received a Master’s of Business Administration degree from Oklahoma City/Tianjin Program.

Dongpu Zhang was appointed as the President of the Company effective on August 25, 2018. Mr. Dongpu Zhang has served as the General Manager of Superengine Graphics Software Technology Development (Suzhou) Co., Ltd. (“Superengine Suzhou”) and the Chief Executive Officer of Superengine Holding Limited since September 2016. From February, 2014 to August, 2016, Mr. Zhang served as vice president of Industrial Development Group under China Fortune Land Development Co., Ltd. From March, 2009 to February, 2014, Mr. Zhang served as the vice president of Aerospace Science and Technology Holding Group Co., Ltd. Mr. Zhang receive his Master Degree of Computer Science from Harbin Institute of Technology in 1994 and his Bachelor Degree of information system from Changsha Institute of technology in 1991.

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Baomin Li serves as the chief technology officer of the Company since February 1, 2019. From 2017 to 2019, Mr. Li served at Amazon as Sr. Software Development Manager, in charge of Amazon’s advertising targeting systems, overseeing infrastructure, data ingestion & modeling, and targeting products utilizing comprehensive Amazon’s ecommerce data. Prior to Amazon, Mr. Li served as the chief technology officer at C Media Limited from 2016 to 2017. Mr. Li worked at

CreditEase Inc. as VP of Engineering in the Big Data Innovation Center from 2014 to 2016, and at Google as Engineering Manager in advertising quality from 2013 to 2014. From 1999 to 2012, Mr. Li worked at Microsoft Corporation and lastly served as Senior Development Manager. Mr. Li graduated from Peking University with a Bachelor's Degree in Mechanics and a Master's Degree in Applied Mathematics, and from University of Missouri with a Master's Degree in Computer Science.

Jie Yu served as the chief financial officer of C Media Limited from January 2018 until the consummation of the asset exchange transactions. From June 2016 to January 2018, Mr. Yu served as chief financial officer and secretary of the board of directors of MTI Environment Group Limited. Prior to joining MTI, Mr. Yu served as the senior manager at DA HUA CPA from November 2012 to May 2016. Previously, Mr. Yu served as the manager at Crowe Horwath (Hong Kong) CPA. Mr. Yu holds a bachelor degree in accounting and finance from University of Auckland and postgraduate diploma in accounting from University of Auckland.

Kegang Peng served as the Vice Chairman of the board of directors C Media Limited from October 2014 to the consummation of the asset exchange transactions, and is now a member of the Company's board of directors. Previously, from 2012 to 2014, Mr. Peng was Chairman of the board and founder of Jiangsu Suqian Jinghaiboyuan Information and Technology Co., Ltd. Mr. Peng studied at Beijing University of Aeronautics and Astronautics majoring computer and application.

Chuang (Vincent) Tao was appointed as a member of the Board effective on August 25, 2018. Dr. Tao was the Chairman of Superengine Suzhou from 2014 to 2017. Dr. Tao has been the president of the Seasky Angel Investment Alliance of Shanghai since 2015. Dr. Tao received his Bachelor Degree of geographic information and telemetry from Wuhan University in China in 1990 and received his Ph.D. from University of Calgary, Canada in 1997.

Dennis Galgano was appointed as a director of the Company following the consummation of the asset exchange agreement. He was a registered consultant with Morgan Joseph Triartisan LLC from November 2016 until October 2017, and previously served as vice Chairman and head of international investment banking for Morgan Joseph Triartisan LLC, which is a registered broker dealer engaged in the investment banking and financial advisory industry. Mr. Galgano received a B.S. degree in Chemistry from St. John's University and an M.B.A. from The Wharton School in 1972.

Jin Shi was appointed as a director of the Company following the consummation of the asset exchange transactions. Mr. Shi has served as the managing partner of Chum Capital Group, a merchant bank focused on helping Chinese growth companies to access global capital, since January 2013. Mr. Shi has also served as a director of Seven Stars Cloud Group, Inc. (NASDAQ: SSC), a premium video on demand service provider, since January 2014, and joined the audit committee of its board of directors in March 2016. He also served as a director and member of the audit committee of Pingtan Marine Enterprise, Ltd. (NASDAQ: PME), a marine enterprise group primarily engaged in ocean fishing through its subsidiaries. Mr. Shi received an EMBA degree from the Guanghua Management School of Beijing University, and a Bachelor's degree of science in Chemical Engineering from Tianjin University.

Jiming Ha was appointed as a director of the Company following the consummation of the asset exchange agreement, and has also served as a senior research fellow for the China Finance 40 Forum since March 1, 2018, and previously served as a managing director of Goldman Sachs from January 2017 to April 2017. Mr. Ha served as a vice Chairman and chief investment strategist of the Investment Strategy Group for Private Wealth Management at Goldman Sachs from 2010 to January 2017. Mr. Ha holds a PhD in Economics from the University of Kansas and Master's and Bachelor's degrees of science from Fudan University.

Zhihao Xu was appointed as a director of the Company following the consummation of the asset exchange transactions. Mr. Xu has served as the Chief Executive Officer of Geely Group Co., Ltd., in Hangzhou, China, since December 2017, and previously served as the Chairman and Chief Executive Officer of Beijing Dingchengrenhe Investment Co., Ltd., a funds management company, from January 2017 to December 2017. Mr. Xu served as the Chairman of president of HNA USOLV CO., LTD., and the chief innovation officer of HNA Logistics Group from January 2014 to December 2016, and prior to that as the Chairman of Gopay Innovation Technology Co. Ltd., an online payment system operator supporting online money transfers, from April 2012 to January 2014. Mr. Xu graduated from the Business School of Renmin University of China and from the Wudaokou Finance College of Tsinghua University with a fund qualification certificate and securities qualification certificate.

B. COMPENSATION.

Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2018, we paid an aggregate of approximately \$53,885 in cash compensation to our executive officers and accrued an aggregate of approximately \$67,629 of compensation to our independent directors for serving on our board of directors.

Other than non-employee directors, we do not intend to compensate directors for serving on our board of directors or any of its committees. We do, however, intend to reimburse each member of our board of directors for out-of-pocket expenses incurred by each director in connection with attending meetings of the board of directors and its committees.

Administration

The Incentive Plan is administered by our board of directors, or at the discretion of the board, by our compensation committee. Our board of directors has delegated authority to our compensation committee to administer the Incentive Plan. Subject to the terms of the Incentive Plan, the compensation committee may select participants to receive awards, determine the types of awards and terms and conditions of awards, and interpret provisions of the Incentive Plan.

The ordinary shares issued or to be issued under the Incentive Plan consist of authorized but unissued shares. If any ordinary shares covered by an award are not purchased or are forfeited, or if an award otherwise terminates without delivery of any ordinary shares, then the number of ordinary shares counted against the aggregate number of ordinary shares available under the plan with respect to the award will, to the extent of any such forfeiture or termination, again be available for making awards under the Incentive Plan.

Eligibility

Awards may be made under the Incentive Plan to our employees, officers, directors, consultants or advisers or to any of our affiliates, and to any other individual whose participation in the Incentive Plan is determined to be in our best interests by our board of directors.

Amendment or Termination of the Plan

Our board of directors may terminate or amend the Incentive Plan at any time and for any reason. No amendment, however, may adversely impair the rights of grantees with respect to outstanding awards. The Incentive Plan has a term of ten years. Amendments will be submitted for shareholder approval to the extent required by applicable stock exchange listing requirements or other applicable laws.

Options

The Incentive Plan permits the granting of options to purchase ordinary shares intended to qualify as incentive share options under the Internal Revenue Code and share options that do not qualify as incentive share options, or non-qualified share options.

The exercise price of each share option may not be less than 100% of the fair market value of our ordinary shares representing ordinary shares on the date of grant. In the case of certain 10% shareholders who receive incentive share options, the exercise price may not be less than 110% of the fair market value of our ordinary shares representing ordinary shares on the date of grant. An exception to these requirements is made for options that we grant in substitution for options

held by employees of companies that we acquire. In such a case the exercise price is adjusted to preserve the economic value of the employee's share option from his or her former employer.

The term of each share option is fixed by the compensation committee and may not exceed ten years from the date of grant. The compensation committee determines at what time or times each option may be exercised and the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised.

Options may be made exercisable in installments. The award agreement provides the vesting of the options. Exercisability of options may be accelerated by the compensation committee.

In general, an optionee may pay the exercise price of an option by (1) cash or check (in U.S. dollars or Renminbi or other local currency as approved by the compensation committee), (2) ordinary shares held for such period of time as may be required by the compensation committee, (3) delivery of a notice of a market order with a broker with respect to ordinary shares then issuable upon exercise of an option, and that the broker has been directed to pay us a sufficient portion of net proceeds of the sale in satisfaction of the exercise price, provided that payment of such proceeds is then made to us upon settlement of such sale, (4) other property acceptable to the compensation committee with a fair market value equal to the exercise price, (5) cashless exercise or (6) any combination of the foregoing.

Share options granted under the Incentive Plan may not be sold, transferred, pledged, or assigned other than by will or under applicable laws of descent and distribution. However, we may permit limited transfers of non-qualified options for the benefit of immediate family members of grantees to help with estate planning concerns or pursuant to a domestic relations order in settlement of marital property rights.

Other Awards

The compensation committee may also award under the Incentive Plan:

1. ordinary shares subject to restrictions;
2. deferred ordinary shares, credited as deferred ordinary share units, but ultimately payable in the form of unrestricted ordinary shares in accordance with the terms of the grant or with the participant's deferral election;
3. ordinary share units subject to restrictions;
4. unrestricted ordinary shares, which are ordinary shares issued at no cost or for a purchase price determined by the compensation committee which are free from any restrictions under the 2011 Omnibus Incentive Plan;
5. dividend equivalent rights entitling the grantee to receive credits for dividends that would be paid if the grantee had held a specified number of ordinary shares; or
6. a right to receive a number of ordinary shares or, in the discretion of the compensation committee, an amount in cash or a combination of ordinary shares and cash, based on the increase in the fair market value of the ADSs representing ordinary shares underlying the right during a stated period specified by the compensation committee.

Effect of Certain Corporate Transactions

Certain change of control transactions involving us may cause awards granted under the Incentive Plan to vest, unless the awards are continued or substituted for by the surviving company in connection with the corporate transaction.

Unless otherwise provided in the appropriate option agreement on the date of grant or provided by our board of directors thereafter with the consent of the grantee, options granted under the Incentive Plan become exercisable in full following (1) a dissolution of our company or a merger, consolidation or reorganization of our company with one or more other entities in which we are not the surviving entity, (2) a sale of substantially all of our assets to another person or entity, or (3) any transaction (including without limitation a merger or reorganization in which we are the surviving entity) which results in any person or entity owning 50% or more of the combined voting power of all classes of our shares.

Adjustments for Dividends and Similar Events

The compensation committee will make appropriate adjustments in outstanding awards and the number of ordinary shares available for issuance under the Incentive Plan, including the individual limitations on awards, to reflect ordinary share dividends, stock splits and other similar events.

C. BOARD PRACTICES.

Board of Directors

Our board of directors consists of seven members being Messrs. Xuesong Song, Kegang Peng, Dennis Galgano, Jin Shi, Jiming Ha, Chuang Tao and Zhihao Xu. Our directors hold office until our annual meeting of shareholders, where their successors will be duly elected and qualified, or until the directors' death, resignation or removal, whichever is earlier. Our directors are subject to a four-year term of office and hold office until their resignation, death or incapacity or until their respective successors have been elected and qualified in accordance with our fourth amended and restated memorandum of association and articles of association. A director will be removed from office if, among other things, the director (1) becomes bankrupt, (2) dies or becomes of unsound mind, or (3) is absent from meetings of our board of directors for six consecutive months without leave and our board of directors resolves that the office is vacated. A director is not entitled to any special benefits upon termination of service with the company.

Director Independence

Our board of directors consists of seven members; Messrs. Dennis Galgano, Jin Shi, Jiming Ha, Chuang Tao and Zhihao Xu have been determined by us to be independent directors within the meaning of the independent director guidelines of the NASDAQ Corporate Governance Rules (the "NASDAQ Rules").

Committees of Our Board of Directors

To enhance our corporate governance, we established three committees under our board of directors: an audit committee, a compensation committee, and a nominating and corporate governance committee. We have adopted a charter for each of these committees. The committees have the following functions and members.

Audit Committee

Our audit committee reports to our board of directors regarding the appointment of our independent public accountants, the scope and results of our annual audits, compliance with our accounting and financial policies and management's procedures and policies relating to the adequacy of our internal accounting controls. Our audit committee consists of Messrs. Dennis Galgano, Jin Shi, and Jiming Ha. Mr. Galgano, having accounting and financial management expertise, serves as the Chairman of the audit committee and is an "audit committee financial expert" as defined by the rules and regulations of the SEC. Our board of directors has determined that each of these persons meet the definition of an "independent director" under the applicable NASDAQ Rules and under Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Our audit committee is responsible for, among other things:

- the appointment, evaluation, compensation, oversight and termination of the work of our independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting);
- an annual performance evaluation of the audit committee;
- establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, auditing matters or potential violations of law, and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters or potential violations of law;

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- ensuring that it receives an annual report from our independent auditor describing our internal control procedures and any steps taken to deal with material control deficiencies and attesting to the auditor's independence and describing all relationships between the auditor and us;
- reviewing our annual audited financial statements and quarterly financial statements with management and our independent auditor;
- reviewing and approving all proposed related party transactions;
- reviewing our policies with respect to risk assessment and risk management;
- meeting separately and periodically with management and our independent auditor; and
- reporting regularly to our board of directors.

Compensation Committee

Our compensation committee assists the board of directors in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. In addition, the compensation committee reviews share compensation arrangements for all of our other employees. Members of the compensation committee are not prohibited from direct involvement in determining their own compensation. Our Chief Executive Officer is not permitted to be present at any committee meeting during which his or her compensation is deliberated. Our compensation committee consists of Dennis Galgano and Jin Shi, with Mr. Shi serving as the Chairman of the compensation committee. Our board of directors has determined that each of these persons meet the definition of "independent director" under the applicable requirements of the NASDAQ Rules.

Our compensation committee is responsible for, among other things:

- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluating the performance of our Chief Executive Officer in light of those goals and objectives and setting the compensation level of our Chief Executive Officer based on this evaluation;
- reviewing and making recommendations to the board with respect to the compensation of our executives, incentive compensation and equity-based plans that are subject to board approval; and
- providing annual performance evaluations of the compensation committee.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee assists the board of directors in identifying and selecting or recommending individuals qualified to become our directors, developing and recommending corporate governance principles and overseeing the evaluation of our board of directors and management. Our nominating and corporate governance committee consists of Jiming Ha and Zhihao Xu, with Mr. Ha serving as the Chairman of the nominating and corporate governance committee. Our board of directors has determined that each of these persons meet the definition of "independent director" under the applicable requirements of the NASDAQ Rules.

Our nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to our board nominees for election or re-election to our board, or for appointment to fill any vacancy;
- reviewing annually with our board the current composition of the board of directors with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to our board the names of directors to serve as members of the audit committee and the compensation committee, as well as the nominating and corporate governance committee itself; advising our board of directors periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to our board of directors on all matters of corporate governance and on any remedial action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

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Code of Business Conduct and Ethics

Our board of directors adopted a code of business conduct and ethics applicable to our directors, officers and employees.

Duties of Directors

Under British Virgin Islands law, our directors have a duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise care, diligence and skills 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 of association and articles of association. We have the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- appointing officers and determining the term of office of the officers;
- authorizing the payment of donations to religious, charitable, public or other bodies, clubs, funds or associations as deemed advisable;
- exercising the borrowing powers of the company and mortgaging the property of the company;
- executing cheques, promissory notes and other negotiable instruments on behalf of the company; and
- maintaining or registering a register of mortgages, charges or other encumbrances of the company.

Remuneration and Borrowing

The directors may receive such remuneration as our board of directors may determine from time to time. Each director is entitled to be repaid or prepaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred in attending meetings of our board of directors or committees of our board of directors or shareholder meetings or otherwise in connection with the discharge of his or her duties as a director. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors.

Our board of directors may exercise all the powers of the company to borrow money and to mortgage or charge our undertakings and property or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party.

Qualification

A director is not required to hold shares as a qualification to office.

Limitation on Liability and Other Indemnification Matters

British Virgin Islands law does not limit the extent to which a company's memorandum of association and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our memorandum of association and articles of association, we may indemnify our directors, officers and liquidators against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with civil, criminal, administrative or investigative proceedings to which they are party or are threatened to be made a party by reason of their acting as our director, officer or liquidator. To be entitled to indemnification, these persons must have acted honestly and in good faith with a view to the best interest of the company and, in the case of criminal proceedings, they must have had no reasonable cause to believe their conduct was unlawful.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Employment Agreements

On August 19, 2018, the Company entered into an Employment Agreement (the "Song Agreement") with Mr. Xuesong Song, to serve as the Chief Executive Officer of the Company for a four-year term, subject to renewal. Under the terms of the Song Agreement, Mr. Song will receive no salary for his services but will be eligible for an annual cash bonus in the Board's sole discretion.

On August 19, 2018, the Company entered into an Employment Agreement (the "Yu Agreement") with Mr. Jie Yu, to serve as the Chief Financial Officer of the Company for a four-year term, subject to renewal. Under the terms of the Yu Agreement, Mr. Yu will receive an annual salary of RMB700,000, and will be eligible for an annual cash bonus in the Board's sole discretion.

D. EMPLOYEES.

As of December 31, 2018 and 2017, we had a total of 111 and 37 full-time employees, including 51 and 13 in research and development, 17 and 2 in sales and marketing and the rest in a variety of other divisions, respectively. All of our employees are full-time employees. None of our employees is currently represented by a union and/or collective bargaining agreements. We believe that we have good relations with our employees and since our inception we have had no history of work stoppages or union organizing campaigns.

E. SHARE OWNERSHIP.

The following table provides information as to the beneficial ownership of our ordinary shares as of December 31, 2018, by the persons listed. Beneficial ownership of shares is determined under the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. For purposes of the following table, a person is deemed to have beneficial ownership of any ordinary shares if such person has the right to acquire such shares within 60 days of December 31, 2018. For purposes of computing the percentage of outstanding shares held by each person, any shares that such person has the right to acquire within 60 days after of December 31, 2018 are deemed to be outstanding, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all of the ordinary shares beneficially owned by them. Unless otherwise indicated, the address of each person listed is c/o Luokung Technologies, LAB 32, SOHO 3Q, No 9, Guanghua Road, Chaoyang District, Beijing, People's Republic of China.

	Number of shares	Percent of class
<i>Directors and named executive officers</i>		
Xuesong Song, Chairman, Chief Executive Officer and Director (1)	38,156,430	19.14%
Kegang Peng, Vice President and Director (2)	17,231,955	8.64%
Dennis Galgano, Director	75,796	*%
Jin Shi, Director (3)	1,278,420	*%
Zhihao Xu, Director (4)	6,962,832	3.49%
Dongpu Zhang, President (5)	2,321,792	1.16%
Chuang Tao, Director (6)	1,221,996	*%
Directors and executive officers as a group (10 persons)	67,249,221	33.74%

- (1) Consists of (i) 4,030,882 shares owned directly by Charm Dragon International Limited, a British Virgin Islands company and (ii) 22,624,793 shares owned directly by Bravo First Development Limited, a British Virgin Islands company. Mr. Xuesong Song is the controlling shareholder of Bravo First Development Limited. Mr. Xuesong Song is the sole director of Charm Dragon International Limited. Mr. Xuesong Song also owns all 1,000,000 of the Company's outstanding preferred shares, and each preferred share has the right to 399 votes at a meeting of the shareholders of the Company. Mr. Song therefore is the controlling shareholder of the Company.
- (2) Consists of 17,231,955 shares owned directly by Plenty Prestige Enterprises Limited, a British Virgin Islands company. Mr. Kegang Peng is the sole director of Plenty Prestige Enterprises Limited.
- (3) Consists of 1,278,420 shares owned directly by Utmost Vantage Ventures Limited, a British Virgin Islands company. These shares are held in a partnership and Mr. Shi serves as a general partner of the partnership on behalf of the partners and therefore disclaims any beneficial ownership.
- (4) Consists of 6,962,832 shares directly owned by Geely Group Limited., a Chinese company. Mr. Zhihao Xu is the Chief Executive Officer of Geely Group Limited.
- (5) Consists of 2,321,792 shares owned directly by Genoa Peak Limited, a British Virgin Islands company. Mr. Dongpu Zhang controls Genoa Peak Limited.
- (6) Consists of 1,221,996 shares owned directly by Globearth Holdings Limited, a British Virgin Islands company. Mr. Chuang Tao controls Globearth Holdings Limited.

* Represents less than 1% of shares outstanding

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

A. MAJOR SHAREHOLDERS

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

To our knowledge, (A) we are not directly or indirectly owned or controlled by (i) another corporation or (ii) any foreign government and (B) there are no arrangements (including any announced or expected takeover bid), the operation of which may at a subsequent date result in a change in our control.

The voting rights of our major shareholders do not differ from the voting rights of other holders of the same class of shares.

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B. RELATED PARTY TRANSACTIONS. BUSINESS RELATIONSHIPS.

Our subsidiaries, consolidated affiliated entities, and the subsidiaries of the consolidated affiliated entities have engaged, during the ordinary course of business, in a number of customary transactions with each other. All of these inter-company balances have been eliminated in consolidation.

As of December 31, 2018, we had amounts due from related parties, C Media Limited and Ya Tuo Ji International Consultancy (Beijing) Limited, in the amounts of \$4.7 million and \$0.2 million, respectively. These amounts due from related parties are short term in nature, non-interest bearing, unsecured and repayable on demand.

As of December 31, 2018, we had amounts due to related parties, Mr. Xuesong Song, our Chairman and Chief Executive Officer, Thumb Beijing Branch and Vision Capital Profits Limited, in the amounts of \$1.0 million, \$0.6 million and \$1.8 million, respectively. These amounts due to related parties are short term in nature, non-interest bearing, unsecured and payable on demand.

Our Chairman and Chief Executive Officer, Mr. Xuesong Song, serves as an officer of Beijing Zhong Chuan Shi Xun and is one of the legal owners of Beijing Zhong Chuan Shi Xun. The following table sets forth the relationship of Mr. Song with Beijing Zhong Chuan Shi Xun:

Name	Relationship with Luokung Technology	Relationship with Beijing Zhong Chuan Shi Xun	Percentage Ownership Interest in Beijing Zhong Chuan Shi Xun
Xuesong Song	Chief Executive Officer	Chief Executive Officer	61.82%

C. INTERESTS OF EXPERTS AND COUNSEL.

None.

ITEM 8. FINANCIAL INFORMATION.

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION.

See "Item 18. Financial Statements."

Legal Proceedings

To our knowledge, other than as described below there are no material legal proceedings threatened against us. From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business. Following the consummation of the AEA, we became successor in interest to the legal proceedings described below.

On August 22, 2014, Zhong Chuan Rui You and Gansu Jinlun Culture Media Co., Ltd. (“Gansu Jinlun”) signed a “Lanzhou Railway Bureau Air-conditioned Train Wi-Fi Network System Advertising Operation Rights Agreement” for advertising on 72 trains of \$1,467,880 (RMB9,604,633). Due to the dispute on the project implementation, Zhong Chuan Rui You did not pay the advertising fee. On August 23, 2017, Gansu Jinlun filed a lawsuit with Gansu Intermediate People’s Court. On December 19, 2017, Gansu Intermediate People’s Court issued a verdict, ruling that Zhong Chuan Rui You settle the overdue advertising fee.

Zhong Chuan Rui You and Gansu Jinlun are negotiating a potential settlement to resume the contract. According to the legal counsel, it is probable that the settlement will amount to approximately \$459,000 (RMB3,000,000); therefore, this amount has been accrued in accounts payable as at December 31, 2018.

Dividend Policy

We currently intend to retain all of our available funds and future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Under the terms of our Amended and Restated Memorandum and Articles of Association the declaration and payment of any dividends in the future will be determined by our board of directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements and overall financial condition and our ability to receive dividends from our subsidiaries. If we pay any dividends, we will pay our ADS holders’ dividends with respect to their underlying shares 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.

Our ability to receive dividends from our subsidiaries may limit our ability to pay dividends on our ordinary shares. See Risk Factors – Risks Related to Doing Business in China – Our holding company structure may limit the payment of dividends” and “Item 10. Additional Information – D. Exchange Controls – Dividend Distribution”.

B. SIGNIFICANT CHANGES.

N/A

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS.

Markets and Share Price History

The primary trading market for our ordinary shares, as represented by American Depositary Shares or ADSs is the NASDAQ Capital Market, where our shares have been listed and traded under the symbol KONE since May 14, 2010. On August 17, 2018, we completed the transactions contemplated by the Asset Exchange Agreement (“AEA”) with C Media Limited (“C Media”) entered into on January 25, 2018. On August 20, 2018, we changed our name to Luokung Technology Corp., our American Depositary Shares (“ADSs”) were voluntarily delisted from the NASDAQ Capital Market on September 19, 2018 and on January 3, 2019 our ordinary shares started trading on NASDAQ under the ticker symbol “LKCO”.

The table below sets forth the high and low reported sales prices in dollars of our ordinary shares, which are represented by ADSs, as reported by NASDAQ in the periods as indicated:

	ADS	
	High	Low
<i>Annual Highs and Lows (as of the fiscal year end 09/30 for the five most recent full financial years)*</i>		
2017	5.59	2.67
2016	10.2	1.62
<i>Quarterly Highs and Lows (for the two most recent full financial years and any subsequent period, based on calendar quarter end)*</i>		
<i>2018</i>		
Third Quarter	8.00	6.30
Second Quarter	8.82	4.25
First Quarter	6.40	3.70
<i>2017</i>		
Fourth Quarter	5.59	2.91
Third Quarter	3.99	2.67
Second Quarter	4.06	3.07
First Quarter	5.15	2.83
<i>2016</i>		
Fourth Quarter	6.59	4.20
Third Quarter	10.20	1.62
Second Quarter	3.10	1.97
First Quarter	3.60	2.12
<i>Monthly Highs and Lows (for the most recent six months)</i>		
September 2018	8.00	6.41
August 2018	7.70	6.63
July 2018	7.50	6.30
June 2018	8.82	7.55
May 2018	7.80	5.92
April 2018	7.45	4.25

* The Company effected a 1-for-10 reverse stock split of its ordinary shares on November 6, 2012 (the “Reverse Split”). The ratio between each American Depositary Share (“ADS”) and its underlying ordinary share post-Reverse Split remains the same, namely, one ADR remains to represent one ordinary share post the Reverse Split. The price listed here after November 6, 2012 reflected the effect from the Reverse Split.

B. PLAN OF DISTRIBUTION.

Not Applicable.

C. MARKETS.

The primary trading market for our ordinary shares is the NASDAQ Capital Market, where our ordinary shares are listed and traded since May 14, 2010. On August 17, 2018, we completed the transactions contemplated by the Asset Exchange Agreement (“AEA”) with C Media Limited (“C Media”) entered into on January 25, 2018. On August 20, 2018, we changed our name to Luokung Technology Corp., our American Depositary Shares (“ADSs”) were voluntarily delisted from the NASDAQ Capital Market on September 19, 2018 and on January 3, 2019 our ordinary shares started trading on NASDAQ under the ticker symbol “LKCO”.

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

We are a British Virgin Islands company incorporated with limited liability and our affairs are governed by the provisions of our memorandum of association and articles of association, as amended and restated from time to time, and by the provisions of applicable British Virgin Islands law.

Our memorandum of association and articles of association authorize the issuance of up to 251,000,000 shares, which are designated into (i) 250,000,000 ordinary shares of the Company (“**Ordinary Shares**”), and (ii) 1,000,000 preferred shares of the Company (“**Preferred Shares**”), in each case with the rights, preferences and privileges as set out in the memorandum and articles of association of the Company.

The following is a summary of the material provisions of our ordinary shares and our memorandum of association and articles of association.

Ordinary Shares

All of our issued and outstanding ordinary shares are fully paid and non-assessable. Holders of our ordinary shares who are non-residents of the British Virgin Islands may freely hold and vote their shares.

Subject to the memorandum and articles of association (and, for greater clarity, without prejudice to any special rights conferred thereby on the holders of any other shares), an Ordinary Share of the Company confers on the holder:

- (a) the right to one vote at a meeting of the members or on any resolution of members;
- (b) the right to an equal share in any distribution paid by the Company; and
- (c) the right to an equal share in the distribution of the surplus assets of the Company on a winding up.

Subject to the memorandum and articles of association (and, for greater clarity, without prejudice to any special rights conferred thereby on the holders of any other shares), a Preferred Share of the Company confers on the holder:

- (a) the right to 399 votes at a meeting of the members or on any resolution of members;
- (b) the right to an equal share in any distribution paid by the Company;
- (c) the right to an equal share in the distribution of the surplus assets of the Company on a winding up;
- (d) be freely transferable, in whole or in part, by Mr. Xuesong Song to any third party through one or more Private Transactions, subject to Applicable Law; and
- (e) be freely transferable, in whole or in part, by Mr. Xuesong Song to any third party through one or more Public Transactions, subject to Applicable Law and Automatic Conversion of such Preferred Share(s) into Ordinary Share(s).

Each Preferred Share shall be automatically converted at any time after issue and without the payment of any additional sum into an equal number of fully paid Ordinary Shares upon the conclusion of any transfer by Mr. Xuesong Song to any third party through one or more Public Transactions.

Limitation on Liability and Indemnification Matters

Under British Virgin Islands law, each of our directors and officers, in performing his or her functions, is required to act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Our memorandum of association and articles of association provide that, to the fullest extent permitted by British Virgin Islands law or any other applicable laws, our directors will not be personally liable to us or our shareholders for any acts or omissions in the performance of their duties. Such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission. These provisions will not limit the liability of directors under United States federal securities laws.

We may indemnify any of our directors or anyone serving at our request as a director of another entity against all expenses, including legal fees, and

against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings. We may only indemnify a director if he or she acted honestly and in good faith with the view to our best interests and, in the case of criminal proceedings, the director had no reasonable cause to believe that his or her conduct was unlawful. The decision of our board of directors as to whether the director acted honestly and in good faith with a view to our best interests and as to whether the director had no reasonable cause to believe that his or her conduct was unlawful, is in the absence of fraud sufficient for the purposes of indemnification, unless a question of law is involved. The termination of any proceedings by any judgment, order, settlement, conviction or the entry of no plea does not, by itself, create a presumption that a director did not act honestly and in good faith and with a view to our best interests or that the director had reasonable cause to believe that his or her conduct was unlawful. If a director to be indemnified has been successful in defense of any proceedings referred to above, the director is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the director or officer in connection with the proceedings.

We may purchase and maintain insurance in relation to any of our directors or officers against any liability asserted against the directors or officers and incurred by the directors or officers in that capacity, whether or not we have or would have had the power to indemnify the directors or officers against the liability as provided in our memorandum of association and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for our directors or officers under the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable as a matter of United States law.

Differences in Corporate Law

We were incorporated under, and are governed by, the laws of the British Virgin Islands. The corporate statutes of the State of Delaware and the British Virgin Islands are similar, and the flexibility available under British Virgin Islands law has enabled us to adopt memorandum of association and articles of association that will provide shareholders with rights that do not vary in any material respect from those they would enjoy if we were incorporated under the Delaware General Corporation Law, or Delaware corporate law. Set forth below is a summary of some of the differences between provisions of the BVI Act applicable to us and the laws application to companies incorporated in Delaware and their shareholders.

Director's Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its stockholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to stockholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its stockholders take precedence over any interest possessed by a director, officer or controlling stockholder and not shared by the stockholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

British Virgin Islands law provides that every director of a British Virgin Islands company in exercising his powers or performing his duties shall act honestly and in good faith and in what the director believes to be in the best interests of the company. Additionally, the director shall exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account the nature of the company, the nature of the decision and the position of the director and his responsibilities. In addition, British Virgin Islands law provides that a director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes the BVI Act or the memorandum of association or articles of association of the company.

Amendment of Governing Documents

Under Delaware corporate law, with very limited exceptions, a vote of the stockholders is required to amend the certificate of incorporation. Under British Virgin Islands law and our memorandum of association and articles of association, (i) our shareholders may amend our memorandum of association and articles of association by a resolution of shareholders, or (ii) our board of directors may amend our memorandum of association and articles of association by a resolution of directors without a requirement for a resolution of shareholders so long as the amendment does not:

- restrict the rights of the shareholders to amend the memorandum of association and articles of association;
- change the percentage of shareholders required to pass a resolution of shareholders to amend the memorandum of association and articles of association;
- amend the memorandum of association and articles of association in circumstances where the memorandum of association and articles of association cannot be amended by the shareholders; or
- amend the provisions of memorandum of association or the articles of association pertaining to "rights attaching to shares," "rights not varied by the issue of the shares pari passu," "variation of rights" and "amendment of memorandum and articles".

Written Consent of Directors

Under Delaware corporate law, directors may act by written consent only on the basis of a unanimous vote. Under British Virgin Islands law, directors' consents need only a majority of directors signing to take effect under our article of association, directors may act by written consents of all directors.

Written Consent of Shareholders

Under Delaware corporate law, unless otherwise provided in the certificate of incorporation, any action to be taken at any annual or special meeting of stockholders of a corporation, may be taken by written consent of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to take such action at a meeting. As permitted by British Virgin Islands law, shareholders' consents need only a majority of shareholders signing to take effect. Our memorandum of association and articles of association provide that shareholders may approve corporate matters by way of a resolution consented to at a meeting of shareholders or in writing by a majority of shareholders entitled to vote thereon.

Shareholder Proposals

Under Delaware corporate law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the

notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings. British Virgin Islands law and our memorandum of association and articles of association provide that our directors shall call a meeting of the shareholders if requested in writing to do so by shareholders entitled to exercise 30% or more of the voting rights in respect of the matter for which the meeting is requested.

Sale of Assets

Under Delaware corporate law, a vote of the stockholders is required to approve the sale of assets only when all or substantially all assets are being sold. In the British Virgin Islands, shareholder approval is required when more than 50% of the company's total assets by value are being disposed of or sold.

Dissolution; Winding Up

Under Delaware corporate law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware corporate law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. As permitted by British Virgin Islands law and our memorandum of association and articles of association, we may be voluntarily liquidated under Part XII of the BVI Act by resolution of directors and resolution of shareholders if we have no liabilities and we are able to pay our debts as they fall due.

Redemption of Shares

Under Delaware corporate law, any stock may be made subject to redemption by the corporation at its option or at the option of the holders of such stock provided there remains outstanding shares with full voting power. Such stock may be made redeemable for cash, property or rights, as specified in the certificate of incorporation or in the resolution of the board of directors providing for the issue of such stock. As permitted by British Virgin Islands law, and our memorandum of association and articles of association, shares may be repurchased, redeemed or otherwise acquired by us. Our directors must determine that immediately following the redemption or repurchase we will be able to satisfy our debts as they fall due and the value of our assets exceeds our liabilities.

Variation of Rights of Shares

Under Delaware corporate law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. As permitted by British Virgin Islands law, and our memorandum of association and articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the consent in writing of holders of not less than three-fourths of the issued shares of that class and holders of not less than three-fourths of the issued shares of any other class of shares which may be affected by the variation.

Removal of Directors

Under Delaware corporate law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate provides otherwise. As permitted by British Virgin Islands law and our memorandum of association and articles of association, directors may be removed with or without cause by resolution of directors or resolution of shareholders.

Mergers

Under the BVI Act, two or more companies may merge or consolidate in accordance with the statutory provisions. A merger means the merging of two or more constituent companies into one of the constituent companies, and a consolidation means the uniting of two or more constituent companies into a new company. In order to merge or consolidate, the directors of each constituent company must approve a written plan of merger or consolidation which must be authorized by a resolution of shareholders.

Shareholders not otherwise entitled to vote on the merger or consolidation may still acquire the right to vote if the plan of merger or consolidation contains any provision which, if proposed as an amendment to the memorandum association or articles of association, would entitle them to vote as a class or series on the proposed amendment. In any event, all shareholders must be given a copy of the plan of merger or consolidation irrespective of whether they are entitled to vote at the meeting or consent to the written resolution to approve the plan of merger or consolidation.

Inspection of Books and Records

Under Delaware corporate law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records. Holders of our shares have no general right under British Virgin Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide holders of our shares with annual audited financial statements. See "Where You Can Find Additional Information."

Conflict of Interest

The BVI Act provides that a director shall, after becoming aware that he is interested in a transaction entered into or to be entered into by the company, disclose that interest to the board of directors of the company. The failure of a director to disclose that interest does not affect the validity of a transaction entered into by the director or the company, so long as the director's interest was disclosed to the board prior to the company's entry into the transaction or was not required to be disclosed (for example where the transaction is between the company and the director himself or is otherwise in the ordinary course of business and on usual terms and conditions). As permitted by British Virgin Islands law and our memorandum of association and articles of association, a director interested in a particular transaction may vote on it, attend meetings at which it is considered, and sign documents on our behalf which relate to the transaction.

Transactions with Interested Shareholders

Delaware corporate law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or group who or that owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public

British Virgin Islands law has no comparable provision. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although British Virgin Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Independent Directors

There are no provisions under Delaware corporate law or under the BVI Act that require a majority of our directors to be independent.

Cumulative Voting

Under Delaware corporate law, cumulative voting for elections of directors is not permitted unless the company's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions to cumulative voting under the laws of the British Virgin Islands, but our memorandum of association and articles of association do not provide for cumulative voting.

Anti-takeover Provisions in Our Memorandum of association and articles of association

Some provisions of our memorandum of association and articles of association may discourage, delay or prevent a change in 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.

C. MATERIAL CONTRACTS.

On January 25, 2018, the Company executed an Asset Exchange Agreement ("AEA") with C Media Limited, a corporation organized under the laws of the Cayman Islands ("C Media"), whereby the Company agreed to purchase all the capital stock and equity interests of LK Technology Ltd, together with its wholly-owned subsidiaries MMB Limited and Mobile Media (China) Limited and all respective subsidiaries from C Media in exchange for (i) 185,412,599 ordinary shares of the Company, par value \$0.01 per share ("Ordinary Shares"), (ii) 1,000,000 preferred shares of Kingtone ("Preferred Shares") and (iii) all issued and outstanding capital stock or equity interests of the Company's subsidiary, Topsy Info-Tech Holdings Pte Ltd., and its wholly-owned subsidiary Xi'an Softech Co., Ltd., including all entities effectively controlled by Xi'an Softech Co., Ltd. through contractual arrangements and variable business entities.

To consummate the contemplated transactions described above, the Company obtained shareholder consent at a special meeting held on May 20, 2018, (i) to authorize 1,000,000 Preferred Shares, (ii) to authorize additional Ordinary Shares so that total authorized Ordinary Shares is equal to 250,000,000 shares, (iii) to list such Ordinary Shares on NASDAQ, and (iv) to approve the transactions contemplated in the Asset Exchange Agreement. Additionally, NASDAQ needed to approve the contemplated transactions prior to consummation thereof. C Media had the right to terminate the AEA if the closing had not occurred (other than through the failure of C Media to comply fully with its obligations under the AEA) on or before July 31, 2018. The transactions contemplated by the AEA were consummated on August 17, 2018.

On January 25, 2018, five shareholders of the Company including its largest shareholder and its Chief Executive Officer executed a Securities Purchase Agreement, whereby such shareholders agreed to sell a total of 617,988 Ordinary Shares and 282,694 American Depository Shares of the Company to Redstone YYL Management Limited, a company incorporated in the British Virgin Islands, in exchange for an aggregate purchase price of \$1,897,860.09.

On August 25, 2018, LK Technology entered into a Stock Purchase Agreement (the "Agreement") with the shareholders ("Shareholders") of Superengine Holding Limited, a limited liability company incorporated under the laws of the British Virgin Islands (the "Superengine"), pursuant to which LK Technology acquired all of the issued and outstanding shares of Superengine for an aggregate purchase price of US\$60 million (the "Purchase Price"), which was paid by the issuance of our Ordinary Shares in an amount equal to the quotient of (x) the Purchase Price divided by (y) the average of the closing prices of the Ordinary Shares on the NASDAQ Capital Market over the 12 months period preceding July 31, 2018. We are a party to the Agreement in connection with the issuance of the Ordinary Shares and certain other limited purposes.

D. EXCHANGE CONTROLS.

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

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. Internet information providers are prohibited from providing services beyond those included in the scope of their licenses or filings. Furthermore, 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. Internet information providers must monitor and control the information posted on their websites. 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 an ICP License.

Regulations on Internet Audio-video Program Services

On December 20, 2007, the MII and the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT, jointly issued the Administrative Provisions for the Internet Audio-Video Program Service, or the Audio-video Program Provisions, which came into effect on January 31, 2008 and was amended on August 28, 2015. The Audio-video Program Provisions defines "internet audio-video program services" as producing, editing and integrating of audio-video programs, supplying audio-video programs to the public via the internet, and providing audio-video programs uploading and transmission services to a third party. Entities providing internet audio-video program services must obtain an internet audio video program transmission license. Applicants for such licenses shall be state-owned or state-controlled entities unless an internet audio-video program transmission license has been obtained prior to the effectiveness of the Audio-video Program Provisions in accordance with the then-in-effect laws and regulations. In addition, foreign-invested enterprises are not allowed to engage in the above-mentioned services. According to the audio video Program Provisions and other relevant laws and regulations, audio-video programs provided by the entities supplying Internet audio-video program services shall not contain any illegal content or other content prohibited by the laws and regulations, such as any content against the basic principles in the PRC Constitution, any content that damages the sovereignty of the country or national security, and any content that

The Categories of the Internet Audio-Video Program Services, or the Audio-video Program Categories, promulgated by SAPPRFT on March 10, 2017, classifies internet audio/video programs into four categories: (I) Category I internet audio/video program service, which is carried out with a form of radio station or television station; (II) Category II internet audio/video program service, including (a) re-broadcasting service of current political news audio/video programs; (b) hosting, interviewing, reporting and commenting service of arts, entertainment, technology, finance and economics, sports, education and other specialized audio/video programs; (c) producing (interviewing not included) and broadcasting service of arts, entertainment, technology, finance and economics, sports, education and other specialized audio/video programs; (d) producing and broadcasting service of internet films/dramas; (e) aggregating and broadcasting service of films, television dramas and cartoons; (f) aggregating and broadcasting service of arts, entertainment, technology, finance and economics, sports, education and other specialized audio/video programs; and (g) live audio/video broadcasting service of cultural activities of common social organizations, sport events or other organization activities; and (III) Category III internet audio/video program service, including (a) aggregating service of online audio/video contents, and (b) re-broadcasting service of the audio/video programs uploaded by internet users; and (IV) Category III internet audio/video program service, including (a) re-broadcasting of the radio/television program channels; and (b) re-broadcasting of internet audio/video program channels.

On May 27, 2016, the SAPPRFT issued the Notice on Relevant Issues concerning Implementing the Approval Works of Upgrading Mobile Internet Audio-Video Program Service, or the Mobile Audio-Video Program Notice. The Mobile Audio-Video Program Notice provides that the mobile Internet audio-video program services shall be deemed Internet audio-video program service. Entities which have obtained the approvals to provide the Internet audio-video program services may use mobile WAP websites or mobile applications to provide audio-video program services. Entities with regulatory approvals may operate mobile applications to provide the audio-video program services. The types of the programs shall be within the permitted scope as provided in the licenses and such mobile applications shall be filed with the SAPPRFT.

Regulations on Production and Operation of Radio/Television Programs

On July 19, 2004, the SAPPRFT promulgated the Administrative Measures on the Production and Operation of Radio and Television Programs, or the Radio and Television Program Production Measures, which came into effect on August 20, 2004 and was amended on August 28, 2015. The Radio and Television Program Production Measures provides that any business that produces or operates radio or television programs must first obtain a Radio and Television Program Production and Operation Permit. Entities holding such permits shall conduct their business within the permitted scope as provided in their permits. In addition, foreign-invested enterprises are not allowed to engage in the above-mentioned services.

Regulations on Online Advertising Services

On April 24, 2015, the Standing Committee of the National People's Congress enacted the Advertising Law of the People's Republic of China, or the New Advertising Law, effective on September 1, 2015. The New Advertising Law increases the potential legal liability of advertising services providers and strengthens regulations of false advertising. On July 4, 2016, the State Administration for Industry and Commerce, or the SAIC, issued the Interim Measures of the Administration of Online Advertising, or the SAIC Interim Measures, effective on September 1, 2016. The New Advertising Law and the SAIC Interim Measures require that online advertisements may not affect users' normal internet use and internet pop-up ads must display a "close" sign prominently and ensure one-key closing of the pop-up windows. The SAIC Interim Measures provides that all online advertisements must be marked "Advertisement" so that viewers can easily identify them as such. Moreover, the SAIC Interim Measures treats paid search results as advertisements that are subject to PRC advertisement laws, and requires that paid search results be conspicuously identified on search result pages as advertisements. The New Advertising Law and SAIC Interim Measures require us to conduct more stringent examination and monitoring of our advertisers and the content of their advertisements.

Regulations on Online Games

In September 2009, the GAPP (currently known as the SAPPRFT), together with the National Copyright Administration, and the National Office of Combating Pornography and Illegal Publications jointly issued the Notice on Further Strengthening on the Administration of Pre-examination and Approval of Online Game and the Examination and Approval of Imported Online Game, or the Circular 13. The Circular 13 states that foreign investors are not permitted to invest in online game operating businesses in the PRC via wholly foreign-owned entities, Sino-foreign equity joint ventures or cooperative joint ventures or to exercise control over or participate in the operation of domestic online game businesses through indirect means, such as other joint venture companies or contractual or technical arrangements. If the our contractual arrangements were deemed under the Circular 13 to be an "indirect means" for foreign investors to exercise control over or participate in the operation of a domestic online game business, our contractual arrangements might be challenged by the SAPPRFT. We are not aware of any online game companies which use the same or similar contractual arrangements having been challenged by the SAPPRFT as using those contractual arrangements as an "indirect means" for foreign investors to exercise control over or participate in the operation of a domestic online game business or having been penalized or ordered to terminate operations since the Circular 13 became effective. However, it is unclear whether and how the Circular 13 might be interpreted or implemented in the future. See "Risk Factors—If the PRC government finds that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations."

The Interim Measures for the Administration of Online Games, or the Online Game Measures, issued by the MOC, which took effect on August 1, 2010 and amended on December 15, 2017, regulates a broad range of activities related to the online games business, including the development, production and operation of online games, the issuance of virtual currencies used for online games, and the provision of virtual currency trading services. The Online Game Measures provides that any entity that is engaged in online game operations must obtain a Network Cultural Business Permit, and require the content of an imported online game to be examined and approved by the MOC prior to the game's launch and require a domestic online game to be filed with the MOC within 30 days after its launch. The Notice of the Ministry of Culture on the Implementation of the Interim Measures for the Administration of Online Games, which was issued by the MOC on July 29, 2010 to implement the Online Game Measures, (i) requires online game operators to protect the interests of online game users and specifies that certain terms that must be included in service agreements between online game operators and the users of their online games, (ii) requires content review of imported online games and filing procedures for domestic online games, (iii) emphasizes the protection of minors playing online games, and (iv) requests online game operators to promote real-name registration by their game users.

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 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 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, 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.

Relevant Regulations of the High-tech Enterprise

The Ministry of Information Industry, the Ministry of Science and Technology and the State Tax Bureau collectively promulgated and issued the "Certifying Standard and Managing Measures for High-tech Enterprises" and "the High-tech Areas of Main National Support" on April 14, 2008 to certify the High-tech enterprise and encourage and support the development of the Chinese High-tech enterprises. Under the High-tech Enterprises Measures, the enterprise can enjoy the favorable tax policy when it is certified as a High-tech enterprise by the Ministry of Information Industry, the Ministry of Science and Technology and the State Tax Bureau or with its provincial branch according to the stipulated standard. The software and computer and network technology are recognized as the main national supported High-tech field. Our subsidiaries, Beijing Zhong Chuan Shi Xun Technology Limited and Superengine Graphics Software Technology Development (Suzhou) Co., Ltd are a High-tech enterprise and enjoys a favorable income tax rate of 15%.

Laws and Regulations of Intellectual Property Rights

China has adopted legislation governing intellectual property rights, including patents, copyrights and trademarks. China is a signatory to the main international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the WTO in December 2001.

Patents

The "Patent Law of the People's Republic of China" promulgated by the Standing Committee of the National People's Congress, adopted in 1985 and revised in 1992, 2001 and 2008, protects registered patents. The State Intellectual Property Office of PRC handles granting patent rights, providing for a twenty-year patent term for inventions and a ten-year patent term for utility models and designs. As we disclosed in Item 4, of this annual report on Form 20-F, through Luokung Technology, we have been granted 20 patents by the State Intellectual Property Office ("SIPO") of PRC and therefore such invention is entitled to all the protections provided under the Patent Law for twenty years.

Computer Software Copyright and Administration

On December 20, 2001, the State Council of PRC issued the "Regulation for Computer Software Protection of the People's Republic of China" (the "Regulation for Computer Software Protection") which became effective on January 1, 2002 to protect the interests of copyright owners, to promote the research and application and to encourage the development of the Chinese software industry. Under the Regulation for Computer Software Protection, natural persons, legal persons or any other organizations shall have a copyright on the software developed by such persons no matter whether such software has been published. The protection period of software copyrights owned by the legal person or other organization is fifty years and expires on December 31 of the fiftieth year from the initial publication date of such computer software. Currently, Luokung Technology has 34 registration certificates for software copyrights.

Trademarks

The "Trademark Law of the People's Republic of China" promulgated by the State Council of PRC, adopted in 1982 and revised in 1993 and 2001, protects registered trademarks. The Trademark Office under the Chinese State Administration for Industry and Commerce handles trademark registrations and grants a term of ten years to registered trademarks which are renewable for another ten years after the application to the Trademark Office by the owners of the trademarks. Trademark license agreements must be filed with the Trademark Office for record. China has a "first-to-register" system that requires no evidence of prior use or ownership. Luokung Technology has its registered trademarks as described in Item 4 of this annual report on Form 20-F. Accordingly, such trademarks are entitled to the protection under the Trademark Law.

Foreign Currency Exchange

On August 29, 2008, the SAFE issued the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises, or Circular 142. Pursuant to Circular 142, RMB converted from the foreign currency-denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. The use of such Renminbi capital may not be changed without SAFE's approval and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used.

See "Risk Factors — Risks Related to Doing Business in China — PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of our initial public offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business".

Dividend Distribution

We are a British Virgin Islands holding company and substantially all of our operations are conducted through LK Technology. We rely on dividends and other distributions from our LK Technology and its subsidiaries to provide us with our cash flow and allow us to pay dividends on the shares underlying our ADSs and meet our other obligations. The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include:

1. Wholly Foreign-Owned Enterprise Law (1986), as amended; and
2. Implementation Rules on Wholly Foreign-Owned Enterprise Law (1990), as amended.

Under these regulations, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a FIE has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

Regulation of Foreign Exchange in Certain Onshore and Offshore Transactions

In October 2005, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Notice 75, which became effective as of November 1, 2005, and was further supplemented by two implementation notices issued by the SAFE on November 24, 2005 and May 29, 2007, respectively. Under Circular 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to the registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change with respect to the offshore company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment, debt investment, or creation of any security interest over any assets located in the PRC.

Under SAFE Notice 75, PRC residents are further required to repatriate into the PRC all of their dividends, profits or capital gains obtained from their shareholdings in the offshore entity within 180 days of their receipt of such dividends, profits or capital gains. The registration and filing procedures under SAFE Notice 75 are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholders loans, or capital outflow to the offshore entity, such as the payment of profits or dividends, liquidating distributions, equity sale proceeds, or the return of funds upon a capital reduction. Therefore, failure to comply with such registration may subject us to certain restrictions on, including but not limited to, the increase of the registered capital of our PRC subsidiary, making loans to our PRC subsidiary, and making distributions to us from our on-shore companies.

Regulations of Overseas Investments and Listings

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC and the SAFE, jointly adopted the New M&A Rule, which became effective on September 8, 2006. This regulation, among other things, includes provisions that purport to require that an offshore SPV formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

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On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by SPVs. The CSRC approval procedures require the filing of a number of documents with the CSRC and it would take several months to complete the approval process.

The application of the New M&A Rule with respect to overseas listings of SPVs remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.

We believe that, based on our understanding of the current PRC laws, regulations and rules and the procedures announced on September 21, 2006, there is no requirement in this regulation that would require an application to be submitted to the MOFCOM or the CSRC for the approval of the listing and trading of our ADSs on the NASDAQ Capital Market.

See "Risk Factors — Risks Related to Doing Business in China — If we were required to obtain the prior approval of the China Securities Regulatory Commission, or CSRC, of the listing and trading of our ADSs on the NASDAQ Capital Market, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies."

E. TAXATION

The following discussion sets forth the material British Virgin Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs and the ordinary shares represented by our ADSs, sometimes referred to collectively as the "securities". It is based upon laws and relevant interpretations thereof in effect as of the date of this report, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in the securities, such as the tax consequences under state, local and other tax laws. As used in this discussion, "we," "our" and "us" refers only to Luokung Technology Corp..

British Virgin Islands Taxation

Under the law of the British Virgin Islands as currently in effect, a holder of the securities who is not a resident of the British Virgin Islands is not liable for British Virgin Islands tax on dividends paid with respect to the securities and all holders of the securities are not liable to the British Virgin Islands for tax on gains realized during that year on the sale or disposal of such ordinary shares. The British Virgin Islands does not impose a withholding tax on dividends paid by a company incorporated or re-registered under the BVI Act.

There are no capital gains, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated under the BVI Act. In addition, shares of companies incorporated under the BVI Act are not subject to transfer taxes, stamp duties or similar charges.

There is no income tax treaty or convention currently in effect between the United States and the British Virgin Islands or between China and the British Virgin Islands.

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People's Republic of China Taxation

In 2007, the PRC National People's Congress enacted the new Enterprise Income Tax Law (the "EIT Law"), which became effective on January 1, 2008. The new EIT Law imposes a single uniform income tax rate of 25% on all Chinese enterprises, including foreign-invested enterprises, and levies a withholding tax rate of 10% on dividends payable by Chinese subsidiaries to their foreign shareholders unless any such foreign shareholders' jurisdiction of incorporation has a tax treaty

with China that provides for a different withholding agreement. Under the new EIT Law, enterprises established outside China but deemed to have a “de facto management body” within the country may be considered “resident enterprises” for Chinese tax purposes and, therefore, may be subject to an enterprise income tax rate of 25% on their worldwide income. Pursuant to the implementation rules of the new EIT Law, a “de facto management body” is defined as a body that has material and overall management control over the business, personnel, accounts and properties of the enterprise. Although substantially all members of our management are located in China, it is unclear whether Chinese tax authorities would require (or permit) us to be treated as PRC resident enterprises. If we are deemed a Chinese tax resident enterprise, we may be subject to an enterprise income tax rate of 25% on our worldwide income, excluding dividends received directly from another Chinese tax resident enterprise, as well as PRC enterprise income tax reporting obligations. If we are not deemed to be a Chinese tax resident enterprise, we may be subject to certain PRC withholding taxes. See “Risk Factors — Risks Related to Doing Business in China — Our holding company structure may limit the payment of dividends.” As a result of such changes, our historical tax rates may not be indicative of our tax rates for future periods and the value of our ADSs or ordinary shares may be adversely affected. If we are deemed a PRC resident enterprise and investors’ gain from the sales of the securities and dividends payable by us are deemed sourced from China, such gains and dividends payable by us may be subject to PRC tax. See “Risk Factors — Risks Related to Doing Business in China — If we were deemed a “resident enterprise” by PRC tax authorities, we could be subject to tax on our global income at the rate of 25% under the New EIT Law and our non-PRC shareholders could be subject to certain PRC taxes.

United States Federal Income Taxation

General

The following is a discussion of the material U.S. federal income tax consequences to an investor of purchasing, owning and disposing of our securities. This discussion does not address any aspects of U.S. federal gift or estate tax or the state, local or non-U.S. tax consequences of an investment in the securities.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF THE SECURITIES IN YOUR PARTICULAR SITUATION.

This discussion applies only to those investors that purchase the securities in this offering and that hold the securities as capital assets within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”). This section does not apply to holders that may be subject to special tax rules, including but not limited to:

1. dealers in securities or currencies;
2. traders in securities that elect to use a mark-to-market method of accounting;
3. banks, insurance companies or certain financial institutions;
4. tax-exempt organizations;
5. governments or agencies or instrumentalities thereof;
6. partnerships or other entities treated as partnerships or other pass-through entities for U.S. federal income tax purposes or persons holding the securities through such entities;
7. regulated investment companies or real estate investment trusts;
8. holders subject to the alternative minimum tax;
9. holders that actually or constructively own 10% or more of the total combined voting power of all classes of our shares entitled to vote;
10. holders that acquired the securities pursuant to the exercise of employee stock options, in connection with employee stock incentive plans or otherwise as compensation;
11. holders that hold the securities as part of a straddle, hedging or conversion transaction; or
12. holders whose functional currency is not the U.S. dollar.

This section is based on the Code, its legislative history, existing and proposed U.S. Treasury regulations, published rulings and other administrative guidance of the U.S. Internal Revenue Service (the “IRS”) and court decisions, all as in effect on the date hereof. These laws are subject to change or different interpretation by the IRS or a court, possibly on a retroactive basis.

We have not sought, and will not seek, a ruling from the IRS as to any U.S. federal income tax consequence described herein. The IRS may disagree with the discussion herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulation, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to a beneficial owner of the securities that is for U.S. federal income tax purposes:

1. a citizen or resident of the United States;
2. a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or
3. organized) under the laws of the United States, any state thereof or the District of Columbia;
4. an estate whose income is subject to U.S. federal income tax regardless of its source; or
5. a trust if (a) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S.
6. persons are authorized to control all substantial decisions of the trust, or (b) if the trust has a valid election in effect under applicable U.S.

Treasury regulations to be treated as a U.S. person.

If a beneficial owner of the securities is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a “Non-U.S. Holder.” The material U.S. federal income tax consequences applicable specifically to Non-U.S. Holders are described below under the heading “Tax Consequences to Non-U.S. Holders.”

If a partnership (including for this purpose any entity treated as a partnership for U.S. tax purposes) is a beneficial owner of the securities, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the securities that is a

This discussion assumes that any distributions made (or deemed made) on the securities and any consideration received by a holder in consideration for the sale or other disposition of the securities will be in U.S. dollars. This discussion also assumes that the representations contained in the Deposit Agreement are true and that the obligations in the Deposit Agreement and any related agreement will be complied with in accordance with their terms. Finally, this discussion assumes that each ADS will only represent ordinary shares in us, and will not represent any other type of security, such as a bond, cash or other property.

For U.S. federal income tax purposes, a holder of an ADS will be treated as the beneficial owner of the shares represented by such ADS and an exchange of an ADS for ordinary shares will not be subject to U.S. federal income tax. The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released, or intermediaries in the chain of ownership between holders of ADSs and the issuer of the securities underlying the ADSs may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. Holders, including individual U.S. Holders, as described below under “Tax Consequences to U.S. Holders — Taxation of Distributions.” Accordingly, the availability of foreign tax credits or the reduced tax rate for dividends received by certain non-corporate U.S. Holders, including individual U.S. Holders, could be affected by actions taken by parties to whom the ADSs are released, or by future actions by the U.S. Treasury.

Tax Consequences to U.S. Holders

Taxation of Distributions

Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any cash distributions we make with respect to a U.S. Holder in respect of such U.S. Holder’s ADSs or shares will generally be treated as dividend income if the distributions are made from our current or accumulated earnings and profits, calculated according to U.S. federal income tax principles. Cash dividends will generally be subject to U.S. federal income tax as ordinary income on the day the U.S. Holder actually or constructively receives such income. With respect to non-corporate U.S. Holders for taxable years beginning before January 1, 2011, dividends may be taxed at the lower applicable long-term capital gains rate provided that (a) our ADSs or shares are readily tradable on an established securities market in the United States, or, in the event we are deemed to be a Chinese “resident enterprise” under the EIT Law (as described above under “People’s Republic of China Taxation”), we are eligible for the benefits of the income tax treaty between the United States and the PRC (the “U.S.-PRC Tax Treaty”), (b) we are not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (c) certain holding period requirements are met. Under published IRS authority, ADSs are considered for purposes of clause (a) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NASDAQ Capital Market. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for any dividends paid with respect to our ADSs or shares.

Dividends will not be eligible for the dividends-received deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Generally, if we distribute non-cash property as a dividend (other than pro rata distributions of our shares) out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), a U.S. Holder generally will include in income an amount equal to the fair market value of the property, on the date that it is distributed.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s basis in its shares or ADSs and thereafter as capital gain. However, we do not plan on calculating our earnings and profits in accordance with U.S. federal income tax principles. U.S. holders therefore should generally assume that any distributions paid by us will be treated as dividends for U.S. federal income tax purposes.

If PRC taxes apply to dividends paid by us to a U.S. Holder (see “People’s Republic of China Taxation,” above), such taxes may be treated as foreign taxes eligible for credit against such holder’s U.S. federal income tax liability (subject to certain limitations), and a U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty. The rules relating to the U.S. foreign tax credit are complex. U.S. Holders should consult their own tax advisors regarding the creditability of any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Taxation of Dispositions of Shares

Subject to the PFIC rules discussed below, a U.S. holder that sells or otherwise disposes of its shares will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and such U.S. Holder’s tax basis in its shares. Prior to January 1, 2011, capital gains of a non-corporate U.S. holder are generally taxed at a maximum rate of 15% where the property is held for more than one year (and 20% thereafter). The ability to deduct capital losses is subject to limitations.

If PRC taxes apply to any gain from the disposition of our shares by a U.S. Holder, such taxes may be treated as foreign taxes eligible for credit against such holder’s U.S. federal income tax liability (subject to certain limitations), and a U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the creditability of any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Passive Foreign Investment Company

We do not expect to be a PFIC for U.S. federal income tax purposes for our current tax year or in the foreseeable future. The determination of whether or not we are a PFIC in respect of any of our taxable years is a factual determination that cannot be made until the close of the applicable tax year and that is based on the types of income we earn and the value and composition of our assets (including goodwill), all of which are subject to change. Therefore, we can make no assurances that we will not be a PFIC in respect of our current taxable year or in the future.

In general, we will be a PFIC in any taxable year if either:

1. at least 75% of our gross income for the taxable year is passive income; or
2. at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), the excess of gains over losses from certain types of transactions in commodities, annuities and gains from assets that produce passive income. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

If we are treated as a PFIC in any year during which a U.S. Holder owns the securities, and such U.S. Holder did not make a mark-to-market election, as described below, the U.S. Holder will be subject to special rules with respect to:

1. any gain recognized by the U.S. Holder on the sale or other disposition of its shares; and any excess distribution that we make to the U.S. Holder (generally, the excess of the amount of any distributions to such U.S. Holder during a single taxable year of such U.S. Holder over 125% of the average annual distributions received by such U.S. Holder in respect of the shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder holding period for the shares).

Under these rules:

2. the gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the shares;
3. the amount allocated to the U.S. Holder's taxable year in which it realized the gain or excess distribution or to the period in the U.S. Holder's holding period before the first day of our first taxable year in which we are a PFIC will be taxed as ordinary income;
4. the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year; and
5. the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.
6. Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

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Alternatively, if a U.S. Holder, at the close of its taxable year, owns ordinary shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. Our shares will be "marketable" to the extent that they remain regularly traded on a national securities exchange, such as the NASDAQ Capital Market. If a U.S. Holder makes this election in a timely fashion, it will not be subject to the PFIC rules described above. Instead, in general, the U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of its shares at the end of the taxable year over its adjusted basis in its shares. Any ordinary income resulting from this election would generally be taxed at ordinary income tax rates and would not be eligible for the reduced rate of tax applicable to qualified dividend income. The U.S. Holder will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its shares over the fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's basis in the shares will be adjusted to reflect any such income or loss amounts. U.S. Holders should consult their own tax advisor regarding potential advantages and disadvantages of making a mark-to-market election with respect to their shares.

Alternatively, a U.S. Holder of stock in a PFIC may avoid the PFIC tax consequences described above in respect to our or shares by making a timely "qualified electing fund" election to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends. However, the qualified electing fund election is available only if the PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not intend to furnish the information that a U.S. Holder would need in order to make a qualified electing fund election. Therefore, U.S. Holders will not be able to make or maintain such election with respect to their or shares.

If a U.S. Holder owns our shares or during any year that we are a PFIC, such holder must file U.S. Internal Revenue Service Form 8621 regarding such holder's shares or and the gain realized on the disposition of the shares. The reduced tax rate for dividend income, discussed in "Taxation of Distributions," is not applicable to dividends paid by a PFIC. U.S. Holders should consult with their own tax advisors regarding reporting requirements with respect to their shares.

Tax Consequences to Non-U.S. Holders

Dividends paid to a Non-U.S. Holder in respect of our or shares generally will not be subject to U.S. federal income tax, unless the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other disposition of our or shares unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of sale or other disposition and certain other conditions are met (in which case, such gain from United States sources generally is subject to tax at a 30% rate or a lower applicable tax treaty rate).

Dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base in the United States) generally will be subject to tax in the same manner as for a U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

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Information Reporting and Backup Withholding

In general, information reporting for U.S. federal income tax purposes generally should apply to distributions made on the securities within the United States to a non-corporate U.S. Holder and to the proceeds from sales and other dispositions of the securities by a non-corporate U.S. Holder to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States generally should be subject to information reporting in limited circumstances.

Dividend payments made to U.S. Holders and proceeds paid from the sale or other disposition the securities may be subject to information reporting to the IRS and possible U.S. federal backup withholding at a current rate of 28%. Certain exempt recipients, such as corporations, are not subject to these information reporting requirements. Backup withholding will not apply to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification, or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status must provide a duly executed IRS Form W-9.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

PROSPECTIVE PURCHASERS OF OUR SECURITIES SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY ADDITIONAL TAX CONSEQUENCES RESULTING FROM

F. DIVIDENDS AND PAYING AGENTS.

Not applicable.

G. STATEMENT BY EXPERTS.

None.

H. DOCUMENTS ON DISPLAY.

We previously filed a registration statement on Form F-1 (File No. 333-166056) with the SEC relating to our initial public offering in May 2010. This annual report does not contain all of the information in the registration statement and the exhibits and financial statements included with the registration statement. References in this annual report to any of our contracts, agreements or other documents are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contracts, agreements or documents. In addition, we will file annual reports on Form 20-F and submit other information under cover of Form 6-K. As a foreign private issuer, we are exempt from the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders will be exempt from the insider short-swing disclosure and profit recovery rules of Section 16 of the Exchange Act. You may read and copy the registration statement, the related exhibits and other materials we file with the SEC at the SEC's public reference room in Washington, D.C. at 100 F Street, Room 1580, N.E., Washington, D.C. 20549. You can also request copies of those documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file with the SEC. The website address is <http://www.sec.gov>. You may also request a copy of these filings, at no cost, by writing us at LAB 32, SOHO 3Q, No 9, Guanghai Road, Chaoyang District, Beijing, People's Republic of China, 100020 or telephoning us at (86) 10-85866721.

I. SUBSIDIARY INFORMATION

For a listing of our subsidiaries, see "Item 4. Information on the Company – C. Organizational Structure."

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

As of December 31, 2018, we had no short-term or long-term borrowings. If we borrow money in future periods, we may be exposed to interest rate risk. Our exposure to market risk for changes in interest rates relates primarily to the interest income generated by our cash deposits with our banks and held-to-maturity investments. We have not used any derivative financial instruments in our investment portfolio. Interest earnings instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed to material risks due to changes in interest rates. However, our future interest income may fall short of expectations due to changes in interest rates.

Foreign Exchange Risk

Translation adjustments amounted to \$447,246 and \$90,671 gain as of the fiscal year ended December 31, 2018 and 2017, respectively. The Company translated balance sheet amounts with the exception of equity at December 31, 2018 at RMB6.8632 to \$1.00 as compared to RMB 6.5342 to \$1.00 at December 31, 2017. The Company stated equity accounts at their historical rate. The average translation rates applied to income statement accounts for the fiscal year ended December 31, 2018 and 2017 were RMB6.6174 and RMB 6.7356 to US\$1.00, respectively. So far, the PRC government has been able to manage a stable exchange rate between RMB and the U.S. Dollar. Our future downward translation adjustments may occur and can be significant due to changes in such exchange rate.

If we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

The PRC government imposes strict restrictions on PRC resident companies regarding converting RMB into foreign currencies and vice versa under capital account transactions, such as receiving equity investments from outside of the PRC, making equity investments outside of the PRC, borrowing money from or lending money outside of the PRC, and repaying debt or remitting liquidated assets and/or accumulated profits outside of the PRC. These transactions have to be approved by the relevant PRC government authorities, including but not limited to the commerce bureau, the tax bureau and the State Administration of Foreign Exchange, or SAFE, and have to be conducted at banks entrusted by the local SAFE branch. As our business continues to grow, we may need to continuously finance our PRC subsidiaries by raising capital from outside of the PRC. The restriction on converting RMB into foreign currencies, and vice versa, may limit our ability to use capital resources from outside of the PRC. Such restrictions may also limit our ability to remit profits from our PRC subsidiaries outside of the PRC, therefore potentially limiting our ability to pay dividends to our shareholders. In addition, such restrictions will limit our ability to freely transfer temporary excess cash in our or our subsidiaries' bank accounts in and out of the PRC, therefore limiting our ability to conduct cross-border cash management activities to optimize the utilization of our cash.

Inflation

Although China has experienced an increasing inflation rate, inflation has not had a material impact on our results of operations in recent years. According to the National Bureau of Statistics of China, the change in the consumer price index in China was 0.46%, (0.77%), and 1.16% in 2001, 2002 and 2003, respectively. However, in connection with a 3.9% increase in 2004, the PRC government announced measures to restrict lending and investment in China in order to reduce inflationary pressures in China's economy. Following the government's actions, the consumer price index decreased to 1.8% in 2005 and to 1.5% in 2006. In 2007, the consumer price index increased to 4.8%. In response, China's central bank, the People's Bank of China, announced that the bank reserve ratio would rise half a percentage point to 15.5% in an effort to reduce inflation pressures. China's consumer price index growth rate reached 8.7% year over year in 2008. In 2009 and 2010, the change in the consumer price index in China was minus 0.7% and 3.3%.

China consumer price index in December 2018 was 0.1% higher than that of the same period in 2017. China consumer price index in December 2017 was 0.3% lower than that of the same period in 2016. China consumer price index in December 2016 was 0.5% higher than that of the same period in 2015. China consumer price index in December 2015 was 0.1% higher than that of the same period in 2014. The results of the PRC government's actions to combat inflation are difficult to predict. Adverse changes in the Chinese economy, if any, will likely impact the financial performance of a variety of industries in China that use, or would be candidates to use, our software products and services.

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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.

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

Use of Proceeds.

We completed our initial public offering on May 14, 2010 (the "IPO"), which generated net proceeds of approximately \$14.6 million. All remaining cash on hand from the proceeds of our IPO was transferred to C Media Limited and its subsidiaries following the completion of the asset exchange transactions on August 17, 2018.

ITEM 15. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures, which included inquiries made to certain other of our employees. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports, such as this report, that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have each concluded that, as of December 31, 2018, the Company's disclosure controls and procedures were not effective due to the material weakness described in the "Management's Report on Internal Control over Financial Reporting" section below. However, we performed adequate analyses and procedures, including among other things, transaction reviews and account reconciliations, in order to provide assurance that our consolidated financial statements included in this annual report were prepared in accordance with U.S. GAAP and present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Management's 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 Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting refers to the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Any system of internal control, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management assessed our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the report entitled "Internal Control-Integrated Framework (2013)." The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Based on such assessment, management concluded that its internal control over financial reporting as of December 31, 2018 was not effective because of the following material weakness:

Lack of U.S. GAAP expertise. Although our accounting personnel are professional and experienced in accounting requirements and procedures generally accepted in the PRC, they do not have sufficient knowledge, experience and training in maintaining our books and records and preparing financial statements in accordance with U.S. GAAP and SEC rules and regulations. The staff needs additional training to become experienced in U.S. GAAP-based reporting, including the skills of U.S. GAAP-based period end closing, consolidation of financial statements, and U.S. GAAP conversion.

In order to address the above material weakness, our management plans to take the following steps:

We will employ, as needed, outside professionals to provide key accounting personnel ongoing technical trainings to ensure their proper understanding of U.S. GAAP and newly announced accounting standards.

The Company believes the foregoing measures will remediate the identified material weakness in future periods. The Company is committed to monitoring the effectiveness of these measures and making any changes that are necessary and appropriate.

However, giving full consideration to the material weaknesses described above, our Chief Executive Officer and Chief Financial Officer performed adequate analyses and procedures, including among other things, transaction reviews and account reconciliations, in order to provide assurance that our consolidated financial statements included in this annual report were prepared in accordance with U.S. GAAP and present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Attestation report of the registered public accounting firm.

This annual report does not include an attestation report of the Company's registered public accounting firm on internal control over financial reporting because the Company is a non-accelerated filer permanently exempted from section 404(b) of the Sarbanes-Oxley Act.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during our fiscal year ended December 31, 2018 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

Our board of directors has determined that Mr. Dennis Galgano qualifies as an audit committee financial expert. Our board of directors has determined that Messrs. Dennis Galgano, Jin Shi, Jiming Ha and Zhihao Xu meet the definition of an "independent director" under the applicable NASDAQ Rules and under Rule 10A-3 of the Securities Exchange Act of 1934, as amended.

ITEM 16B. CODE OF ETHICS.

Our board of directors has adopted a code of business conduct and ethics applicable to our directors, officers and employees. We have posted the code on our website at <http://www.luokung.com>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

The aggregate fees billed by Moore Stephens CPA Limited for professional services rendered for the audit of our financial information disclosed in this annual report on Form 20-F was \$325,000 for the year ended December 31, 2018, and \$280,000 for the audit of our financial information disclosed in the transition report on Form 20-F for the two years ended December 31, 2017 and 2016.

The aggregate fees billed by our previous auditor, BDO China Shu Lun Pan Certified Public Accountants LLP for professional services rendered for the audit of our annual financial information included in our annual reports on Form 20-F was \$105,500 for the fiscal year ended September 30, 2017.

Tax Fees

We did not engage our principal accountants to provide tax or related services during the last two fiscal years.

All Other Fees

We did not engage our principal accountants to render services to us during the last two fiscal years, other than as reported above.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE.

We are incorporated in the BVI and our corporate governance practices are governed by applicable BVI law as well as our memorandum and articles of association. In addition, because our ADSs are listed on NASDAQ, we are subject to NASDAQ's corporate governance requirements. NASDAQ Listing Rule 5620(a) requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year end. However, NASDAQ Listing Rule 5615(a)(3) permits a foreign private issuer like us to follow home country practices in lieu of certain requirements of Listing Rule 5600, provided that such foreign private issuer discloses in its annual report filed with the SEC each requirement of Rule 5600 that it does not follow and describes the home country practice followed in lieu of such requirement. We follow home country practice with respect to annual meetings and did not hold an annual shareholder meeting in the year ended December 31, 2018. We may, however, hold annual shareholder meetings in the future if there are significant issues that require shareholders' approvals.

ITEM 16H. MINE SAFETY DISCLOSURE.

Not applicable.

ITEM 17. FINANCIAL STATEMENTS.

We have elected to provide financial statements and related information specified in Item 18.

ITEM 18. FINANCIAL STATEMENTS.

See “Index to Consolidated Financial Statements” for a list of all financial statements filed as part of this annual report. The Financial Statements are beginning on page F-1.

ITEM 19. EXHIBITS.

See the Exhibit Index following the signature page of this report, which is incorporated herein by reference.

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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 its behalf.

LUOKUNG TECHNOLOGY CORP.

By: /s/ Xuesong Song
 Xuesong Song
 Chief Executive Officer
 (principal executive officer)

April 24, 2019

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The following documents are filed as part of this annual report on Form 20-F.

Exhibit Number	Description
1.1****	Amended and Restated Memorandum of Association and Articles of Association of Luokung Technology Corp., dated August 20, 2018, and as currently in effect.
2.1*	Deposit Agreement among the Company, depositary and holders of the American Depositary Receipts.
2.2*	Form of American Depositary Receipt.
2.3*	English translation of Entrusted Management Agreement dated December 15, 2009 between Xi'an Softech Co., Ltd., Xi'an Kingtone Information Technology Co., Ltd. and the shareholders of Xi'an Kingtone Information Technology Co., Ltd.
3.1*	English translation of Shareholder's Voting Proxy Agreement dated December 15, 2009 between Xi'an Softech Co., Ltd., Xi'an Kingtone Information Technology Co., Ltd. and the shareholders of Xi'an Kingtone Information Technology Co., Ltd.
4.1*	English translation of Exclusive Technology Service Agreement dated December 15, 2009 between Xi'an Softech Co., Ltd. and Xi'an Kingtone Information Technology Co., Ltd.
4.2*	English translation of Exclusive Option Agreement dated December 15, 2009 between Xi'an Softech Co., Ltd., Xi'an Kingtone Information Technology Co., Ltd. and the shareholders of Xi'an Kingtone Information Technology Co., Ltd.
4.3*	English translation of Equity Pledge Agreement dated December 15, 2009 between Xi'an Softech Co., Ltd., Xi'an Kingtone Information Technology Co., Ltd. and the shareholders of Xi'an Kingtone Information Technology Co., Ltd.
4.4*	English translation of Loan Agreement dated September 14, 2009 between Xi'an Kingtone Information Technology Co., Ltd. and Xian City Commercial Bank.
4.5*	English translation of Mortgage Agreement dated September 14, 2009 between Xi'an Kingtone Information Technology Co., Ltd. and Xian City Commercial Bank.
4.6*	English translation of Form of Employment Agreement entered into between the Company and the Company's executive officers.
4.7*	2010 Omnibus Incentive Plan of the Company.
4.8**	English translation of Project Construction Contract dated August 10, 2010 between Xi'an Hu County Yuxing Agriculture Science & Technology Co., Ltd. and Xi'an Kingtone Information Technology Co., Ltd.
4.9***	Asset Exchange Agreement by and between C Media Limited and the Company dated as of January 25, 2018.
4.10***	Securities Purchase Agreement by and among Redstone YYL Management Limited and five shareholders holding majority of the shares of the Company dated as of January 25, 2018.
4.15****	Exclusive Business Cooperation Agreement by and between Zhongchuan Tianxia Information Technology (Shenzhen) Co., Ltd., and Beijing Mobile Vision Technology Co., Ltd., dated August 31, 2015.

Exhibit Number	Description
4.16****	Exclusive Option Agreement by and among Zhongchuan Tianxia Information Technology (Shenzhen) Co., Ltd., Xuesong Song, Weili Chen, Ping Wang, Donglai Liu, and Beijing Mobile Vision Technology Co., Ltd., dated August 31, 2015.
4.17****	Equity Interest Pledge Agreement by and among Zhongchuan Tianxia Information Technology (Shenzhen) Co., Ltd., Xuesong Song, Weili Chen, Ping Wang, Donglai Liu, and Beijing Mobile Vision Technology Co., Ltd., dated August 31, 2015.
4.18	Addendum to Asset Exchange Agreement by and among the Company, Topsy Info-tech Holdings Pte Ltd. and C Media Limited, dated October 3, 2018. Incorporated by reference to the Company's Current Report on Form 6-K filed on October 4, 2018.
4.19	Stock Purchase Agreement, dated August 25, 2018, by and among the Company, LK Technology Ltd., and the shareholders listed therein. Incorporated by reference to the Company's Current Report on Form 6-K filed on August 27, 2018.
4.20****	Power of Attorney by Weili Chen, dated August 31, 2015.
4.21****	Power of Attorney by Ping Wang, dated August 31, 2015.
4.22****	Power of Attorney by Donglai Liu, dated August 31, 2015.
4.23****	Power of Attorney by Xuesong Song, dated August 31, 2015.
4.24****	Employment Agreement, dated August 19, 2018, between Luokung Technology Corp. and Xuesong Song.†
4.25****	Employment Agreement, dated August 19, 2018, by and between Luokung Technology Corp. and Jie Yu.†
4.26	Securities Purchase Agreement
8.1	List of Subsidiaries and Consolidated Variable Interest Entities
11.1	Code of Business Conduct and Ethics
12.1	Certification of Chief Executive Officer required by Rule 13a-14(a).
12.2	Certification of Chief Financial Officer required by Rule 13a-14(a).
13.1	Certification of Chief Executive Officer required by Rule 13a-14(a).
13.2	Certification of Chief Financial Officer required by Rule 13a-14(a).
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 Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Previously filed as an exhibit to the Company's Registration Statement on Form F-1 (Reg. No. 333-166056) filed with the Commission and incorporated herein by reference.
**	Previously filed as exhibits to the Company's Transition Report on Form 20-F filed with the Commission on January 20, 2011 and incorporated herein by reference.
***	Previously filed as exhibits to the Company's Annual Report on Form 20-F filed with the Commission on February 9, 2018 and incorporated herein by reference.
****	Previously filed as exhibits to the Company's Annual Report on Form 20-F filed with the Commission on October 12, 2018
†	Indicates management contract or compensatory plan, contract or arrangement.

Luokung Technology Corp. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Luokung Technology Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Luokung Technology Corp. and subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and 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 consolidated financial position of the Company as of December 31, 2018 and 2017, and the consolidated 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.

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 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.



Certified Public Accountants

We have served as the Company's auditor since 2018.

Hong Kong

April 24, 2019

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LUOKUNG TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN U.S. DOLLARS)

	As of December 31,	
	2018	2017
Assets		
Current assets:		
Cash	\$ 1,192,218	\$ 72,379
Accounts receivable, net of allowance for doubtful accounts	22,661,594	9,729,625
Other receivables and prepayment	2,749,000	2,376,745
Amounts due from related parties	4,935,698	11,760,692
Total current assets	<u>31,538,510</u>	<u>23,939,441</u>
Non-current assets:		
Property and equipment, net	898,007	5,044,872

Intangible assets, net	52,763,998	1,154,197
Goodwill	11,728,600	7,239,936
Amount due from a related party	-	204,412
Other receivables, net (Long term)	150,286	-
Total non-current assets	65,540,891	13,643,417
TOTAL ASSETS	97,079,401	37,582,858
Liabilities		
Current liabilities:		
Accounts payable	758,386	2,932,158
Accrued liabilities and other payables	28,239,477	16,488,866
Deferred revenue	1,286,635	2,326,406
Tax payable	71,358	-
Amounts due to related parties	3,378,031	3,563,683
Total current liabilities	33,733,887	25,311,113
Non-current liabilities:		
Accrued liabilities and other payables	244,755	-
Total non-current liabilities	244,755	-
TOTAL LIABILITIES	33,978,642	25,311,113
Commitments and contingencies		
Shareholders' Equity (Deficit)		
Share capital		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized, issued and outstanding at December 31, 2018; Nil shares authorized, issued and outstanding at December 31, 2017	10,000	-
Common stock, \$0.01 par value; 250,000,000 shares authorized; 199,317,599 shares issued and outstanding at December 31, 2018; \$1 par value; 50,000 shares authorized; 1 share issued and outstanding at December 31, 2017	1,993,176	1
Additional paid-in capital	102,125,814	41,819,685
Accumulated deficit	(41,863,694)	(29,936,158)
Accumulated other comprehensive income	835,463	388,217
Total Shareholders' Equity	63,100,759	12,271,745
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 97,079,401	\$ 37,582,858

See accompanying notes to the consolidated financial statements

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LUOKUNG TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(IN U.S. DOLLARS)

	For the years ended December 31,		
	2018	2017	2016
Revenues	\$ 21,042,363	\$ 26,082,417	\$ 5,233,145
Less: Cost of revenues	6,938,063	5,547,779	6,315,504
Less: Operating expenses:			
Selling and marketing	14,695,165	23,908,733	6,209,804
General and administrative	6,750,417	2,451,249	2,108,854
Research and development	3,478,570	1,046,198	2,882,202
Total operating expenses	24,924,152	27,406,180	11,200,860
Loss from operations	(10,819,852)	(6,871,542)	(12,283,219)
Other income (expense):			
Interest expense	(80,184)	(26,611)	(4,412)
Foreign exchange (losses) gains, net	(1,204,001)	350,679	(298,257)
Loss from investment	-	-	(428,571)
Other income (expense), net	250,510	(262,980)	(34,572)
Total other (expense) income, net	(1,033,675)	61,088	(765,812)
Loss before income taxes	(11,853,527)	(6,810,454)	(13,049,031)
Income taxes	(74,009)	-	-
Net loss	\$ (11,927,536)	\$ (6,810,454)	\$ (13,049,031)
Other comprehensive income:			
Foreign currency translation adjustment	447,246	90,671	387,375
Total comprehensive loss	\$ (11,480,290)	\$ (6,719,783)	\$ (12,661,656)
Net loss per ordinary share:			
Basic and Diluted	\$ (0.16)	\$ (6,810,454)	\$ (13,049,031)
Weighted average number of ordinary shares outstanding Basic and Diluted	72,919,624	1	1

See accompanying notes to the consolidated financial statements

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LUOKUNG TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(IN U.S. DOLLARS)

	Ordinary shares		Preferred shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive Income (loss)	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2015	1	\$ 1	-	\$ -	\$ 8,250,505	\$ (10,076,673)	\$ (89,829)	\$ (1,915,996)
Capital contribution from C Media	-	-	-	-	1,786,964	-	-	1,786,964
Net loss	-	-	-	-	-	(13,049,031)	-	(13,049,031)
Foreign currency translation adjustment	-	-	-	-	-	-	387,375	387,375
Balance as of December 31, 2016	1	1	-	-	10,037,469	(23,125,704)	297,546	(12,790,688)
Capital contribution from C Media	-	-	-	-	31,782,216	-	-	31,782,216
Net loss	-	-	-	-	-	(6,810,454)	-	(6,810,454)
Foreign currency translation adjustment	-	-	-	-	-	-	90,671	90,671
Balance as of December 31, 2017	1	1	-	-	41,819,685	(29,936,158)	388,217	12,271,745
Issuance of preferred shares	-	-	1,000,000	10,000	(10,000)	-	-	-
Issuance of common shares	185,412,599	1,854,126	-	-	(1,854,126)	-	-	-
Adjustment due to the assets exchange	1,684,999	16,849	-	-	177,880	-	-	194,729
Acquisition of Superengine	12,219,959	122,200	-	-	59,877,800	-	-	60,000,000
Capital contribution from C Media	-	-	-	-	2,114,575	-	-	2,114,575
Net loss	-	-	-	-	-	(11,927,536)	-	(11,927,536)
Foreign currency translation adjustment	-	-	-	-	-	-	447,246	447,246
Balance as of December 31, 2018	<u>199,317,558</u>	<u>\$ 1,993,176</u>	<u>1,000,000</u>	<u>\$ 10,000</u>	<u>\$ 102,125,814</u>	<u>\$ (41,863,694)</u>	<u>\$ 835,463</u>	<u>\$ 63,100,759</u>

See accompanying notes to the consolidated financial statements

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LUOKUNG TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN U.S. DOLLARS)

For the years ended
December 31,

2018	2017	2016
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CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (11,927,536)	\$ (6,810,454)	\$ (13,049,031)
Depreciation and amortization	5,120,727	3,316,181	3,245,161
Bad debts written off	944,480	-	-
Exchange difference	1,338,857	(906,241)	817,633
Loss on disposal of property and equipment	-	115,193	73,022
Increase in allowance for doubtful accounts	1,845,370	445,395	62,591
Impairment of intangible assets	724,437	-	-
Impairment of PPE	1,228,362	-	-
Changes in assets and liabilities			
Accounts receivable	(16,319,139)	(7,933,730)	(1,507,296)
Other receivables and prepayment	2,433,455	(2,202,960)	2,873,984
Tax payable	74,009	1,945,057	312,730
Deferred revenue	(962,730)	-	-
Accounts payable	(2,108,736)	(1,674,058)	2,979,330
Accrued liabilities and other payables	10,683,568	4,731,922	8,131,205
Net cash (used in) provided by operating activities	<u>(6,924,876)</u>	<u>(8,973,695)</u>	<u>3,939,329</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(32,691)	(12,689)	(3,554,258)
Proceeds from disposal of deposits	604,467	-	-
Cash received from acquisition subsidiaries	612,692	-	-
Proceeds from disposal of property and equipment	-	29,942	-
Net cash provided by (used in) investing activities	<u>1,184,468</u>	<u>17,253</u>	<u>(3,554,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances from (repayment to) related parties	6,874,994	8,938,290	(1,197,870)
Net cash provided by (used in) financing activities	<u>6,874,994</u>	<u>8,938,290</u>	<u>(1,197,870)</u>
Effect of foreign exchange rate changes	<u>(14,747)</u>	<u>6,688</u>	<u>(32,746)</u>
Net increase (decrease) in cash	1,119,839	(11,464)	(845,545)
Cash at beginning of year	<u>72,379</u>	<u>83,843</u>	<u>929,388</u>
Cash at end of year	<u>\$ 1,192,218</u>	<u>\$ 72,379</u>	<u>\$ 83,843</u>
Supplemental cash flow disclosures:			
Interest paid	80,184	26,611	4,412
Income taxes paid	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to the consolidated financial statements

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LUOKUNG TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION

Luokung Technology Corp. (the “Company” or “LKCO”), formerly Kingtone Wirelessinfo Solution Holding Ltd (“Kingtone Wireless”) was incorporated in the British Virgin Islands on October 27, 2009 under the name of Reizii Capital Management Limited. It has wholly-owned subsidiaries and a variable interest entity (“VIE”). Its wholly-owned subsidiaries include: Topsyky Info-tech Holdings Pte Ltd. (“Topsyky”), which was established in Singapore on November 3, 2009, and Xi’an Softech Co., Ltd. (“Softech”), which was established in Xi’an, Shaanxi Province, China on November 27, 2009 by Topsyky. Its VIE is Xi’an Kingtone Information Technology Co., Ltd. (“Kingtone Information”) which was incorporated in Xi’an, Shaanxi province, China on December 28, 2001.

On December 17, 2009, Reizii Capital Management Limited changed its name to Kingtone Wirelessinfo Solution Holding Ltd.

On March 23, 2010, the board of directors of Kingtone Wireless resolved to change the fiscal year end of Kingtone Wireless and its wholly-owned subsidiaries, Topsyky and Softech, from November 30 to September 30 so as to have the same fiscal year end as Kingtone Information.

On May 14, 2010, Kingtone Wireless completed the initial public offering of its American Depositary Shares (“ADSs”) at a price of \$4.00 per ADS and listed its ADSs on the NASDAQ Capital Market under the symbol “KONE.” Kingtone Wireless sold an aggregate of 4,000,000 ADSs, representing 4,000,000 ordinary shares and received net proceeds of approximately \$14.5 million, net of underwriting discounts and other offering expenses.

On August 17, 2018, Kingtone Wireless consummated an asset exchange transaction, pursuant to which it exchanged all issued and outstanding capital stock in Topsyky Info-Tech Holdings Pte Ltd., the parent of Softech, for the issued and outstanding capital stock of LK Technology Ltd. (“LK Technology”) (the “Asset Exchange”). In connection with the Asset Exchange, Kingtone Wireless changed its name to Luokung Technology Corp. on August 20, 2018, and on September 20, 2018, issued to the shareholders of C Media Limited, the former parent of LK Technology, (i) 185,412,599 of its ordinary shares, par value \$0.01 per share and (ii) 1,000,000 of its preferred shares. Upon the consummation of the Asset Exchange, the Company ceased the previous business operations and became a company focused on the provision of Wi-Fi and mobile application products for long distance rail travelers in China.

Following the consummation of the Asset Exchange, on October 4, 2018, the Company changed its fiscal year end from September 30 to the fiscal year end of LK Technology, December 31.

On August 25, 2018, LK Technology entered into a Stock Purchase Agreement (the “Agreement”) with the shareholders (“Shareholders”) of Superengine Holding Limited, a limited liability company incorporated under the laws of the British Virgin Islands (“Superengine”), pursuant to which LK Technology acquired all of the issued and outstanding shares of Superengine for an aggregate purchase price of US\$60 million (the “Purchase Price”), which was paid by the issuance of its Ordinary Shares in an amount equal to the quotient of (x) the Purchase Price divided by (y) the average of the closing prices of the Ordinary Shares on the NASDAQ Capital Market over the 12 months period preceding July 31, 2018. Further details are in Note 3.

Luokung Technology Corp., its subsidiaries and its variable interest entities (“VIEs”) (collectively the “Company”) operate mobile application service for long-distance travel in the People’s Republic of China (the “PRC”). The core mobile application product, Luokuang mobile application, which is made as an LBS-social

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As of December 31, 2018, details of the Company’s subsidiaries and VIEs are as follows:

Name	Date of incorporation	Place of incorporation	Percentage of legal ownership
Subsidiaries:			
LK Technology Ltd.	Mar 3, 2011	BVI	100%
Topsky Info-tech Holdings Pte Ltd.	Nov 3, 2009	Singapore	100%
Superengine Holding Limited	Jun 14, 2018	BVI	100%
MMB Limited	Apr 11, 2013	Hong Kong	100%
Mobile Media (China) Limited	Nov 6, 2007	Hong Kong	100%
Zhong Chuan Tian Xia Information and Technology (Beijing) Limited	Feb 1, 2013	PRC	100%
Zhong Chuan Tian Xia Information and Technology (Shenzhen) Limited	Dec 23, 2010	PRC	100%
Contractual Control:			
Superengine Graphics Software Technology Development (Suzhou) Co., Ltd. (“Suzhou Superengine”)	Apr 2, 2004	PRC	0%
Anhui Superengine Intelligent Technology co., Ltd (“Anhui Superengine”)	Oct 26, 2017	PRC	0%
VIEs:			
Beijing Zhong Chuan Shi Xun Technology Limited (“Zhong Chuan Shi Xun”)	May 17, 2004	PRC	0%
Jiangsu Zhong Chuan Rui You Information and Technology Limited (“Zhong Chuan Rui You”)	May 26, 2011	PRC	0%
Huoerguosi Luokuang Information and Technology Limited (“Huoerguosi Luokuang”)	Jul 19, 2017	PRC	0%
Shenzhen Jiu Zhou Shi Dai Digital and Technology Limited (“Jiu Zhou Shi Dai”)	Nov 26, 2004	PRC	0%

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

The Company incurred losses from operations of \$10,819,852, \$6,871,542 and \$12,283,219 for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, the Company had cash of \$1,192,218 and a working capital deficit of \$2,195,377. These conditions indicate the existence of substantial doubt over the Company’s ability to continue as a going concern. In order to alleviate the substantial doubt, the Company intend to meet the cash requirements for the next 12 months from the issuance date of this report through a combination of debt and equity financing such as by way of private placements. As disclosed in Note 17, on January 16, 2019, the Company entered into a Securities Purchase Agreement with Honbridge Holdings Limited, and the Company agreed to sell 2,000,000 Ordinary Shares of the Company at a price of \$6 per share for a total amount of \$12,000,000. From 2019 and onwards, the Company will focus on improving operational efficiency and cost reduction, and enhancing marketing functions to attract more customers. The Company regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient cash balances and accessible credit to meet its liquidity requirements in the short and long term. Based on working capital conditions and forecast for future operations, the Company believes that it will be able to meet its payment obligations and other commitments for at least the following twelve months.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, including the wholly-foreign owned enterprises (“WFOEs”), entities we control by contract and VIEs for which the Company is the primary beneficiary. All transactions and balances among the Company, its subsidiaries, entities controlled by contract and consolidated VIEs have been eliminated upon consolidation. The results of subsidiaries, entities controlled by contract and consolidated VIEs acquired or disposed of are recorded in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

A subsidiary is an entity in which (i) the Company directly or indirectly controls more than 50% of the voting power; or (ii) the Company 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 the board of directors or to govern the financial and operating policies of the investee pursuant to a statute or under an agreement among the shareholders or equity holders. An entity controlled by contract is required to be consolidated by the primary beneficiary of the entity if the equity holders in the entity do not have controlling financial interest in the entity. A VIE is required to be consolidated by the primary beneficiary of the entity if the equity holders in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

Suzhou Superengine and its subsidiary, Anhui Superengine are consolidated pursuant to an agreement signed between the legal owners of Suzhou Superengine and Zhong Chuan Shi Xun giving all the rights and obligations and control of Suzhou Superengine to Zhong Chuan Shi Xun.

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To comply with the PRC legal restrictions on foreign ownership of companies that operate mobile application services, the Company operates in such restricted services in the PRC through certain PRC domestic companies, whose equity interests are held by certain management members or founders of the Company. Part of the registered capital of these PRC domestic companies was funded by certain management members or founders of the Company. The Company has entered into certain exclusive business services agreements with these PRC domestic companies, which entitle it to receive a majority of their residual returns and make it obligatory for the Company to absorb a majority of the risk of losses from their activities. In addition, the Company has entered into certain agreements with those management members or founders, including equity interest pledge agreements of the equity interests held by those management members or founders and exclusive option agreements to acquire the equity interests in these companies when permitted by the PRC laws, rules and regulations.

Details of the typical VIE structure of the Company's significant consolidated VIEs, primarily domestic companies associated with the operations such as Zhong Chuan Shi Xun, Zhong Chuan Rui You, Huoerguosi Luokuang, and Jiu Zhou Shi Dai, are set forth below:

(i) Contracts that give the Company effective control of VIEs

Exclusive option agreements

The VIE equity holders have granted the WFOEs exclusive call options to purchase their equity interest in the VIEs at an exercise price equal to the higher of (i) the registered capital in the VIEs; and (ii) the minimum price as permitted by applicable PRC laws. Each relevant VIE has further granted the relevant WFOE an exclusive call option to purchase its assets at an exercise price equal to the book value of the assets or the minimum price as permitted by applicable PRC laws, whichever is higher. The WFOEs may nominate another entity or individual to purchase the equity interest or assets, if applicable, under the call options. Each call option is exercisable subject to the condition that applicable PRC laws, rules and regulations do not prohibit completion of the transfer of the equity interest or assets pursuant to the call option. Each WFOE is entitled to all dividends and other distributions declared by the VIE, and the VIE equity holders have agreed to give up their rights to receive any distributions or proceeds from the disposal of their equity interests in the VIE which are in excess of the original registered capital that they contributed to the VIE, and to pay any such distributions or premium to the WFOE. The exclusive call option agreements remain in effect until the equity interest or assets that are the subject of such agreements are transferred to the WFOEs.

Equity pledge agreements

Pursuant to the relevant equity pledge agreements, the relevant VIE equity holders have pledged all of their interests in the equity of the VIEs as a continuing first priority security interest in favor of the corresponding WFOEs to secure the performance of obligations by the VIEs and/or the equity holders under the other structure contracts. Each WFOE is entitled to exercise its right to dispose of the VIE equity holders' pledged interests in the equity of the VIE and has priority in receiving payment by the application of proceeds from the auction or sale of such pledged interests, in the event of any breach or default under the loan agreement or other structure contracts, if applicable. These equity pledge agreements remain in force for the duration of the relevant loan agreement and other structure contracts.

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(ii) Contracts that enable the Company to receive substantially all of the economic benefits from the VIEs

Exclusive business services agreements

Each relevant VIE has entered into an exclusive business services agreement with the respective WFOE, pursuant to which the relevant WFOE provides exclusive business services to the VIE. In exchange, the VIE pays a service fee to the WFOE which typically amounts to what would be substantially all of the VIE's pre-tax profit, resulting in a transfer of substantially all of the profits from the VIE to the WFOE.

Other arrangements

The exclusive call option agreements described above also enable the Company to receive substantially all of the economic benefits from the VIEs by typically entitling the WFOEs to all dividends and other distributions declared by the VIEs and to any distributions or proceeds from the disposal by the VIE equity holders of their equity interests in the VIEs that are in excess of the original registered capital that they contributed to the VIEs.

Based on these contractual agreements, the Company believes that the PRC domestic companies as described above should be considered as VIEs because the equity holders do not have significant equity at risk nor do they have the characteristics of a controlling financial interest. Given that the Company is the primary beneficiary of these PRC domestic companies, the Company believes that these VIEs should be consolidated based on the structure as described above.

Under the contractual arrangements with the consolidated VIEs, the Company has the power to direct activities of the consolidated VIEs and can have assets transferred out of the consolidated VIEs under its control. Therefore, the Company considers that there is no asset in any of the consolidated VIEs that can be used only to settle obligations of the consolidated VIEs, except for registered capital and PRC statutory reserves. As all consolidated VIEs are incorporated as limited liability companies under the Company Law of the PRC, creditors of the consolidated VIEs do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIEs.

Currently there is no contractual arrangement which requires the Company to provide additional financial support to the consolidated VIEs. However, as the Company conducts its businesses primarily based on the licenses and approvals held by its consolidated VIEs, the Company has provided and will continue to provide financial support to the consolidated VIEs considering the business requirements of the consolidated VIEs, as well as the Company's own business objectives in the future.

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Use of estimates

The preparation of financial statements in conformity with US GAAP requires the Company 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. The most significant estimates are the allowance for doubtful accounts, the useful lives of property and equipment and intangible assets, valuation allowance for deferred tax assets, impairment of long-lived assets and goodwill. Actual results could differ from those estimates.

Fair value measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements provides a fair value hierarchy which

prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; 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

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

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Cash

Cash primarily consist of cash, money market funds, investments in interest bearing demand deposit accounts, time deposits and highly liquid investments with original maturities of three months or less from the date of purchase and are stated at cost which approximates their fair value. As of December 31, 2018 and 2017, the Company has no cash equivalents.

Accounts receivable, net of allowance

Accounts receivable are recognized and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. The Company generally does not require collateral from its customers.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of customers to make payments on time. The Company reviews the accounts receivable on a periodic basis and makes specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, the customer's payment history, its current credit-worthiness and current economic trends.

Property and equipment, net

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Wi-Fi equipment	– 3 years
Office and other equipment	– 3 to 5 years
Vehicles	– 5 years

Costs of repairs and maintenance are expensed as incurred and asset improvements are capitalized. The gain or loss on 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 income statement. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Construction in progress

Assets under construction are not depreciated until construction is completed and the assets are ready for their intended use.

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Intangible assets

Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives.

Intangible assets have weighted average economic lives from the date of purchase as follows:

Software	– 5 years
Trademarks	– 10 years
Patents	– 10 years

Goodwill

The Company assesses goodwill for impairment in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") subtopic 350-20, Intangibles—Goodwill and Other: Goodwill ("ASC 350-20"), which requires that goodwill to be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20.

The Company has the option to assess qualitative factors first to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20. If the Company believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described below is required. Otherwise, no further testing is required. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on either quoted market prices of the ordinary shares or estimated fair value using a combination of the income approach and the market approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a

purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss.

In 2018, the Company performed a qualitative assessment for goodwill. Based on the requirements of ASC350-20, the Company evaluated all relevant factors, including but not limited to macroeconomic conditions, industry and market conditions, financial performance. The Company weighed all factors in their entirety and concluded that it was not more-likely-than-not the fair value was less than the carrying amount of the reporting unit, and further impairment testing on goodwill was unnecessary as of December 31, 2018 and 2017.

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Impairment or disposal of long-lived assets

Long-lived assets other than goodwill are included in impairment evaluations when events and circumstances exist that indicate the carrying value of these assets may not be recoverable. In accordance with FASB ASC 360, Property, Plant and Equipment, the Company assesses the recoverability of the carrying value of long-lived assets by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the asset group) and, secondly, estimating the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, the Company recognizes an impairment loss to the extent the carrying value of the long-lived asset exceeds its fair value. The Company determines fair value through quoted market prices in active markets or, if quotations of market prices are unavailable, through the performance of internal analysis using a discounted cash flow methodology or obtains external appraisals from independent valuation firms. The undiscounted and discounted cash flow analyses are based on a number of estimates and assumptions, including the expected period over which the asset will be utilized, projected future operating results of the asset group, discount rate and long-term growth rate.

As of December 31, 2018 and 2017, the Company assessed the impairment of its long-lived assets and identified impairment indications. For intangible assets, as the Company is not going to use a software system that was purchased in 2014, an impairment loss of \$724,437 on intangible assets was recorded for the year ended December 31, 2018 (\$nil for the years ended December 31, 2017 and 2016). For property plant and equipment, the Company recorded an impairment loss for Wi-Fi equipment that will not be used of \$1,228,362 (\$nil for the years ended December 31, 2017 and 2016).

Business combination

The Company accounts for business combinations using the acquisition method of accounting in accordance with FASB ASC topic 805, Business Combinations. Acquisition method accounting requires that the consideration transferred be allocated to the assets, including separately identifiable assets and liabilities the Company acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total cost of acquisition, fair value of the noncontrolling 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 earnings.

Revenue recognition

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

On January 1, 2018, the Company adopted ASC Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after December 31, 2017 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. There was no material effect from the adoption of ASC 606 to our financial statements.

Display-based online advertising services

The Company provides display-based online advertising services to customers by integrating text description, image and video, and displaying the advertisements in a prominent position of Luokuang mobile application on a cost-per-click basis. The customers pay us only when a user clicks on an advertisement on the Luokuang mobile application. The Company recognizes revenue over time because the customer receives and consumes the benefit of our advertising services throughout the contract period.

Software and services

The Company generates revenues primarily in the form of sale of software license and provision of technology solution services. License fees include perpetual license fees, term license fees and royalties. Technology services primarily consist of fees for providing technology solution services that enable customers to gain real-time operational intelligence by harnessing the value of their data.

Revenue for the sale of software licenses is recognized at the point in time when the control of the provided goods is provided to our customers.

Technology solution revenue is recognized over time, as the services are performed because the customer receives and consumes the benefit of our performance throughout the contract period. Milestones with corresponding payment are stated in the contracts with customers. We bill for the services we have performed when the milestones reached are accepted by the customer in accordance with the terms of the contract. We recognize the revenues associated with these professional services as we deliver each agreed portion of the services.

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The Company does not offer credits or refunds and therefore has not recorded any sales return allowance for any of the periods presented. Upon a periodic review of outstanding accounts receivable, amounts that are deemed to be uncollectible are written off against the allowance for doubtful accounts. The Company's policy is to record revenues net of any applicable sales, use or excise taxes.

Deferred revenue represents prepayments from customers for advertising service and is recognized as revenue when the advertising services are rendered.

Foreign currency translation

The functional and reporting currency of the Company and the Company's subsidiaries domiciled in BVI and Hong Kong is the United States dollar ("U.S. dollar"). The financial records of the Company's other subsidiaries and VIEs located in the PRC are maintained in their local currency, the Chinese Renminbi ("RMB"), which is the functional currency of these entities.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling 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 when the transactions occurred. Transaction gains and losses are recognized in the statements of operations.

The Company's entities with a functional currency of RMB translate their operating results and financial position into the U.S. dollar, the Company's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Revenues, expenses, gains and losses are translated using the average rate for the year. Retained earnings and equity are translated using the historical rate. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income.

Earnings per share

ASC Topic 260 "Earnings per Share," requires presentation of both basic and diluted earnings per share ("EPS") with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Basic net loss per share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive common shares consist of the common shares issuable upon the exercise of common stock warrants (using the treasury stock method). Common stock equivalents are not included in the calculation of diluted earnings per share if their effect would be anti-dilutive. In a period in which the Company has a net loss, all potentially dilutive securities are excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact. During the years ended December 31, 2018, 2017 and 2016, there were no potentially dilutive securities. The following table presents a reconciliation of basic and diluted net loss per share:

	Year Ended December 31,		
	2018	2017	2016
Net loss available to owners of the Company for basic and diluted net loss per share of ordinary stock	\$ (11,927,536)	\$ (6,810,454)	\$ (13,049,031)
Weighted average ordinary stock outstanding - basic and diluted	72,919,624	1	1
Net loss per ordinary share attributable to owners of the Company - basic and diluted	\$ (0.16)	\$ (6,810,454)	\$ (13,049,031)

Income taxes

Deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to the Company as enacted by the relevant tax authorities.

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The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the Company classifies the interest and penalties, if any, as a component of income tax expense. For years ended December 31, 2018, 2017 and 2016, the Company did not have any material interest or penalties associated with tax positions nor did the Company have any significant unrecognized uncertain tax positions.

Contingencies

The Company records accruals for certain of its outstanding legal proceedings or claims when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. The Company evaluates the developments in legal proceedings or claims that could affect the amount of any accrual, as well as any developments that would make a loss contingency both probable and reasonably estimable. The Company discloses the amount of the accrual if it is material.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to our chief operating decision maker, who is our Chief Executive Officer ("CEO"), who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources. The Company had one single operating and reportable segment for the years ended December 31, 2018, 2017 and 2016. The Company's customers and assets are located in the PRC, therefore, no geographical segment information is presented.

Related parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all significant related party transactions.

Leases

Leases have been classified as either capital or operating leases. Leases that transfer substantially all the benefits and risks incidental to the ownership of assets are accounted for as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

When the Company is the lessor, minimum contractual rental from leases are recognized on a straight-line basis over the noncancelable term of the lease. With respect to a particular lease, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental revenue recognized for the period. Straight-line rental revenue commences when the customer assumes control of the leased premises. Accrued straight-line rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements. Contingent rental revenue is accrued when the contingency is removed.

Advertising costs

Advertising costs include expenses associated with direct marketing. All advertising costs are expensed as incurred and included in selling and marketing expenses. During the years ended December 31, 2018, 2017 and 2016, advertising costs amounted to \$14,071,241, \$23,171,170 and \$4,537,653, respectively.

Comprehensive loss

Comprehensive loss includes net loss and foreign currency translation adjustments and is presented net of tax. The tax effect is nil for the three years ended December 31, 2018, 2017 and 2016 in the consolidated statements of comprehensive loss.

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with financial institutions with high-credit rating and quality in China. For the year ended December 31, 2018, four customers accounted for 91% of total revenue. For the year ended December 31, 2017, two customers accounted for 95% of total revenue. For the year ended December 31, 2016, four customers accounted for 70% of total revenue. At December 31, 2018 and 2017, the Company had credit risk exposure of uninured cash in banks of \$1,192,218 and \$72,379, respectively.

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The net sales to customers representing at least 10% of net total sales are as follows:

Customer	Year Ended December 31,		
	2018	2017	2016
A	26%	81%	*
B	26%	*	*
C	25%	*	*
D	14%	*	*
E	*	14%	*
F	*	*	22%
G	*	*	20%
H	*	*	15%
I	*	*	13%

The following customers had balances of at least 10% of the total trade receivables at the respective balance sheet dates set forth below:

Customer	December 31,	
	2018	2017
A	23%	49%
B	24%	*
C	24%	*
D	13%	*
E	12%	41%

* less than 10%

[Recent accounting pronouncements](#)

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Subtopic 842)." The new guidance requires lessees to recognize assets and liabilities arising from leases as well as extensive quantitative and qualitative disclosures. A lessee will need to recognize on its balance sheet a right-of-use asset and a lease liability for the majority of its leases (other than leases that meet the definition of a short-term lease). The lease liabilities will be equal to the present value of lease payments. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. The Company will adopt the new standard on January 1, 2019 using the modified retrospective approach. Due to its immaterial lease commitments at December 31, 2018, the Company expect the impact of the standard adoption to increase its assets and liabilities within its consolidated balance sheet. These increases will result from the recognition of its existing right-of-use and liabilities required by ASU 2016-02.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments", which will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which a company recognizes an allowance based on the estimate of expected credit loss. The Company is currently evaluating the impact of adopting this standard 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.

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NOTE 3 – BUSINESS COMBINATIONS

Business combinations in 2018:

During the year ended December 31, 2018, the Company completed a business combination, to complement its businesses and achieve synergies. Results of the acquired entities' operations have been included in the Company's consolidated financial statements since the acquisition dates.

	August 31, 2018
Purchase consideration	\$ 60,000,000
Net assets acquired,	
Cash	612,692
Deposit and other receivables (current)	615,424
Accounts receivable	238,324
Prepayment	1,176
Deposit and other receivables (non-current)	99,066
Property, plant and equipment	41,435
Intangible assets	54,575,027

Short term borrowing	(117,238)
Receipt in advance	(138,860)
Wages payable	(84,537)
Tax payable	(14,637)
Other payable	(316,536)
	<u>(671,808)</u>
Goodwill	<u>4,488,664</u>

Goodwill, which is non-deductible for tax purpose, is primarily attributable to the synergies expected to be achieved from the acquisition. Refer to Note 9 for details.

The valuations used in the purchase price allocation described above were determined by the Company with the assistance of an independent third-party valuation firm. The valuation report considered generally accepted valuation methodologies such as the relief from royalty method. As the acquiree is a private company, the fair value estimate is based on significant inputs that market participants would consider, which mainly include (a) discount rates, (b) a projected terminal values based on future cash flows (c) financial multiples of companies in the same industries and (d) adjustments for lack of control or lack of marketability.

The pro forma results of operations for these subsidiaries have not been presented because they are not material to the consolidated results of operations, either individually or in the aggregate.

NOTE 4 – INCOME TAX

At December 31, 2018, the Company had unused net operating loss carryforwards of approximately \$ 30,529,390 for income tax purposes, which expire between 2019 to 2023. At December 31, 2018, 2017 and 2016, these net operating losses carryforwards may result in future income tax benefits of approximately \$6,230,296, \$5,043,944 and \$4,008,863, respectively, however, because realization is uncertain at this time, a valuation allowance in the same amount has been established. Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company’s deferred tax liabilities and assets of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Deferred tax liabilities	\$ -	\$ -
Deferred tax asset		
Net operating loss carryforward	6,230,296	5,043,944
Valuation allowance	(6,230,296)	(5,043,944)
Net deferred tax asset	<u>-</u>	<u>-</u>

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Movement of valuation allowance

	December 31, 2018	December 31, 2017
At the beginning of the year	\$ 5,043,944	\$ 4,008,863
Acquisition of subsidiary	500,934	-
Current year addition	1,054,992	823,970
Expired	(74,735)	(61,411)
Exchange difference	(294,839)	272,522
At the end of the year	<u>6,230,296</u>	<u>5,043,944</u>

The Company is not subject to taxation in BVI under the current BVI law. Subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at the statutory rate of 25% for the years ended December 31, 2018, 2017 and 2016. Two of our subsidiaries qualify for high-technology enterprises and benefit from a preferential tax rate of 15%. They are qualified as a “high-technology enterprise” until the end of the November 2021 and October 2021, respectively. Subsidiaries operating in Hong Kong are subject to Hong Kong income taxes at a rate of 16.5% for the years ended December 31, 2018, 2017 and 2016.

A reconciliation of the income tax expense to the amount computed by applying the current PRC statutory tax rate of 25% to the loss before income taxes in the consolidated statements of comprehensive income is as follows:

	December 31, 2018	December 31, 2017	December 31, 2016
Loss before income taxes	\$ (11,853,527)	\$ (6,810,454)	\$ (13,049,031)
Tax loss at the PRC statutory tax rate of 25%	(2,874,005)	(1,564,147)	(3,392,837)
Non-deductible items	5,013,636	6,637,818	1,701,180
Non-taxable items	(3,538,631)	(3,789,956)	(662,512)
Change in valuation allowance	1,054,992	823,970	2,159,518
Effect of different tax rates in other jurisdictions	17,221	410	6,015
Effect of 15% preferential rate for certain PRC subsidiaries	252,778	(2,108,095)	188,636
Income tax expense	<u>(74,009)</u>	<u>-</u>	<u>-</u>

NOTE 5 – ACCOUNTS RECEIVABLE

At December 31, 2018 and 2017, accounts receivable consisted of the following:

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 25,041,576	\$ 10,406,602
Less: allowance for doubtful accounts	(2,379,982)	(676,977)
	<u>\$ 22,661,594</u>	<u>\$ 9,729,625</u>

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NOTE 6 – OTHER RECEIVABLES AND PREPAYMENT

At December 31, 2018 and 2017, other receivables and prepayment consisted of the following:

	December 31, 2018	December 31, 2017
Current		
Advances to suppliers	\$ 447,061	\$ 339,701
VAT recoverable (1)	945,199	1,681,495
Advances to business partners (2)	1,165,637	-
Other	279,248	385,175
	2,837,145	2,406,371
Less: allowance for doubtful accounts	(88,145)	(29,626)
	<u>\$ 2,749,000</u>	<u>\$ 2,376,745</u>
Non-current		
Loan to employees	77,434	-
Deposit for car	58,282	-
Others	14,570	-
	<u>\$ 150,286</u>	<u>-</u>

(1) The balance of advanced VAT represents input VAT available for deducting the amount of VAT paid in the future. During the years ended December 31, 2018 and 2017, the Group purchased a large amount of Wi-Fi equipment for deployments, which generated related input VAT approved by the relevant tax authority.

(2) The advances to two business partners are unsecured, interest-free and repayable in June 2019.

NOTE 7 – AMOUNTS DUE FROM RELATED-PARTIES

At December 31, 2018 and 2017, amounts due from related parties consisted of the following:

Name of related party	December 31, 2018	December 31, 2017
C Media Limited (1)	\$ 4,731,841	\$ 11,760,692
Ya Tuo Ji International Consultancy (Beijing) Limited (2)	203,857	204,412

(1) C Media Limited is controlled by Mr. Xuesong Song, the CEO and Chairman of the Company (“Mr. Song”). C Media Limited has taken up certain receivables and investments from the Company’s subsidiaries in previous years. The Company expects the amount will be returned to the Company in 2019.

(2) Ya Tuo Ji is a company controlled by the spouse of Mr. Song. The loan is unsecured, interest-free and repayable on July 5, 2019. The original payment date was January 5, 2019.

NOTE 8 – PROPERTY AND EQUIPMENT

At December 31, 2018 and 2017, property and equipment consisted of the following:

	Useful life	December 31, 2018	December 31, 2017
Wi-Fi equipment	3 Years	\$ 9,003,392	\$ 8,711,424
Vehicles	5 Years	3,520	-
Office and other equipment	3 – 5 Years	213,601	170,242
Construction-in-progress	-	-	2,166,452
		9,220,513	11,048,118
Less: accumulated depreciation and impairment		(8,322,506)	(6,003,246)
		<u>\$ 898,007</u>	<u>\$ 5,044,872</u>

For the years ended December 31, 2018, 2017 and 2016, depreciation expense amounted to \$2,897,135, \$2,628,884 and \$2,474,434, respectively, of which \$2,806,811, \$2,423,655 and 2,194,582, respectively, was included in cost of revenue, and \$5,872, \$117,648 and 121,740, respectively, was included in selling and marketing expenses and the remainder was included in general and administrative expense.

The Company recognized an impairment loss on property and equipment of \$1,228,362, \$0 and \$0 for the years ended December 31, 2018, 2017 and 2016, respectively, for idled Wi-Fi equipment.

Included in construction-in-progress were Wi-Fi equipment under construction.

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NOTE 9 – INTANGIBLE ASSETS, NET

	As of December 31, 2018		
	Gross carrying value	Accumulated amortization and impairment	Net carrying value
Software	\$ 3,179,437	\$ 3,178,785	\$ 652
Trademarks	1,243,443	1,243,443	-
Patents	54,572,127	1,808,781	52,763,346
	<u>\$ 58,995,007</u>	<u>\$ 6,231,009</u>	<u>\$ 52,763,998</u>
	As of December 31, 2017		
	Gross carrying value	Accumulated amortization and impairment	Net carrying value
Software	\$ 3,339,523	\$ 2,185,438	\$ 1,154,085
Trademarks	1,306,051	1,305,939	112

The Company recognized an impairment loss on software of \$724,437, \$0 and \$0 for the years ended December 31, 2018, 2017 and 2016, respectively, for the railway platform software which was replaced by the software developed by Suzhou Superengine.

Amortization expense of intangible assets was \$2,223,592, \$613,066 and \$642,913 for the years ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018, future minimum amortization expenses in respect of intangible assets are as follows:

Year ending December 31,	Principal
2019	\$ 5,457,673
2020	5,457,405
2021	5,457,213
2022	5,457,213
2023	5,457,213
Thereafter	25,477,281
	<u>\$ 52,763,998</u>

NOTE 10 – GOODWILL

In September of 2014, Zhong Chuan Shi Xun acquired a 100% interest in Zhong Chuan Rui You for a consideration of \$7,391,894 (RMB48,000,000). Zhong Chuan Rui You is primarily engaged in on-train Wi-Fi business, deploying Wi-Fi equipment on trains and providing passengers with entertainment and information services on trains. The book value of the identifiable net assets of Zhong Chuan Rui You was \$151,958 (RMB963,000) and goodwill of \$7,239,936 was recorded.

In August of 2018, LK Technology acquired a 100% interest in Superengine Holding Limited for a consideration of \$60,000,000, which was paid by the issuance of ordinary shares of the Company in an amount equal to the quotient of (x) the Purchase Price divided by (y) the average of the closing prices of the Ordinary Shares on the NASDAQ Capital Market over the 12 months period preceding July 31, 2018. Superengine possesses patented technologies in spatial-temporal big data indexing, storage, transmission and visualization that can be used in vector maps, HD intelligent maps, interactive location services, smart cities, intelligent transportation systems, mapping and surveying, remote sensing and monitoring. The book value of the identifiable net assets of Superengine was \$1,440,349, an intangible asset of \$54,070,987 and goodwill of \$4,488,664 were recorded. Refer to Note 3 for details.

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NOTE 11 – ACCRUED LIABILITIES AND OTHER PAYABLES

At December 31, 2018 and 2017, accrued liabilities and other payables consisted of the following:

	December 31, 2018	December 31, 2017
Current		
Accrued payroll	\$ 535,181	\$ 143,998
VAT payable	2,200,654	2,192,898
Individual tax payable	205,917	-
Other loans (1)	4,322,106	5,370,535
Advertising payable (2)	18,902,385	5,852,359
Other payable	2,073,234	2,929,076
	<u>\$ 28,239,477</u>	<u>\$ 16,488,866</u>
Non-current		
Other loans (1)	\$ 244,755	\$ -

(1) Other loans primarily consist of loans from third parties for working capital purpose, payable on various date from April 7, 2019 to May 16, 2020. Other loans of \$655,671 and \$939,555, respectively as of December 31, 2018 and 2017, are unsecured and bear annual interest at the rate of 7.2% and a daily interest rate at 0.04%, respectively. The remaining other loans are unsecured and interest-free.

(2) Advertising payable represents the payments owed to the vendors that provide advertising activities for the Company to promote the Luokuang mobile application.

NOTE 12 – AMOUNTS DUE TO RELATED PARTIES

At December 31, 2018 and 2017, amounts due to related parties consisted of the following:

Name of related party	December 31, 2018	December 31, 2017
Mr. Song (1)	\$ 1,010,041	\$ 2,921,639
Vision Capital Profits Limited (2)	\$ 1,751,395	\$ -
Thumb Beijing Branch (3)	\$ -	\$ 612,103
Thumb Shenzhen Branch (3)	\$ 611,266	\$ 29,941
Mrs. Song (4)	\$ 5,329	

(1) The Company's CEO

(2) Vision Capital Profits Limited is controlled by Mr. Song.

(3) Thumb Beijing and Shenzhen Branch are controlled by the spouse of Mr. Song.

(4) The spouse of Mr. Song.

Amounts due to related parties are non-interest bearing, unsecured and payable on demand.

NOTE 13- SHARE CAPITAL

Prior to the Asset Exchange, Kingtone Wireless had 1,685,000 common shares issued and outstanding.

On August 17, 2018, in connection with the Asset Exchange, on September 20, 2018, the Company issued to the shareholders of C Media Limited, the former parent

On September 20, 2018, the Company issued to the shareholders of Superengine Holding Limited, 12,219,959 of ordinary shares, par value \$0.01 per share.

As of December 31, 2018, we had 199,317,558 common shares issued and outstanding.

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NOTE 14 – RETIREMENT AND WELFARE BENEFITS

The Group’s full-time employees are entitled to staff welfare benefits including medical care, casualty, housing benefits, education benefits, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue the employer-portion for these benefits based on certain percentages of the employees’ salaries. The total provision for such employee benefits of \$289,679, \$170,227 and \$353,033 during the years ended December 31, 2018, 2017 and 2016, respectively, of which \$9,945, \$23,392 and \$30,455, respectively, was charged to cost of revenue, \$76,971, \$48,957 and \$97,408, respectively was charged to selling and marketing expenses, \$75,104, \$49,717 and \$86,934, respectively, was charged to general and administrative expenses and \$127,660, \$48,161 and \$138,236, respectively was charged to research and development expenses. The Group is required to make contributions to the plan out of the amounts accrued for all staff welfare benefits except for education benefits. The PRC government is responsible for the staff welfare benefits including medical care, casualty, housing benefits, unemployment insurance and pension benefits to be paid to these employees.

NOTE 15 – STATUTORY RESERVES

As stipulated by the relevant law and regulations in the PRC, the Group’s subsidiaries and VIEs in the PRC are required to maintain a non-distributable statutory surplus reserve. Appropriations to the statutory surplus reserve are required to be made at not less than 10% of profit after taxes as reported in the subsidiaries’ statutory financial statements prepared under PRC GAAP. Once appropriated, these amounts are not available for future distribution to owners or shareholders. Once the general reserve accumulates to 50% of the subsidiaries’ registered capital, the subsidiaries can choose not to provide more reserves. The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production and increase in registered capital of the subsidiaries. The Group allocated \$Nil to statutory reserves during the years ended December 31, 2018, 2017 and 2016, respectively. The statutory reserves cannot be transferred to the Company in the form of loans or advances and are not distributable as cash dividends except in the event of liquidation.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Operating leases

We have entered into operating lease agreements primarily for our office spaces in China. These leases expire through 2019 and are renewable upon negotiation. Future minimum rental payment required under the Office Lease is as follows:

Year ending December 31:	Amount
2019	\$ 268,128

Contingencies

Lawsuit with Gansu Jinlun Culture Media Co., Ltd.

On August 22, 2014, Zhong Chuan Rui You and Gansu Jinlun Culture Media Co., Ltd. (“Gansu Jinlun”) signed a “Lanzhou Railway Bureau Air-conditioned Train Wi-Fi Network System Advertising Operation Rights Agreement” for advertising on 72 trains of \$1,467,880 (RMB9,604,633). Due to a dispute on the project implementation, Zhong Chuan Rui You did not pay the advertising fee. On August 23, 2017, Gansu Jinlun filed a lawsuit with Gansu Intermediate People’s Court. On December 19, 2017, Gansu Intermediate People’s Court issued a verdict, ruling that Zhong Chuan Rui You settle the overdue advertising fee.

Zhong Chuan Rui You and Gansu Jinlun are negotiating a potential settlement to resume the contract. According to legal counsel, it is probable that the settlement will amount to approximately \$459,000 (RMB3,000,000); therefore, this amount has been accrued in accounts payable.

NOTE 17 – SUBSEQUENT EVENT

On January 16, 2019, the Company entered into a Securities Purchase Agreement with Honbridge Holdings Limited, and the Company agreed to sell 2,000,000 Ordinary Shares of the Company at a price of \$6 per share for a total amount of \$12,000,000.

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this “Agreement”) is dated as of January ____, 2019 (the “Effective Date”) by and between Luokung Technology Corp., a British Virgin Islands corporation (the “Company”) and Honbridge Holdings Limited, a Cayman Islands corporation (the “Purchaser”).

RECITALS

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to an exemption from the registration requirements of Section 5 of the Securities Act contained in Section 4(a)(2) thereof and/or Regulations D and S thereunder, the Company desires to issue and sell to the Purchaser, and the Purchaser desires to purchase from the Company, certain securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and the Purchaser agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms have the meanings set forth in this Section 1.1:

“Affiliate” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in, and construed, under Rule 405 under the Securities Act.

“Assets” means all of the properties and assets of the Company, whether real, personal or mixed, tangible or intangible, wherever located, whether now

owned or hereafter acquired.

“Board of Directors” means the board of directors of the Company.

“Business Day” means any calendar day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

“Claims” means any Proceedings, Judgments, Obligations, threats, losses, damages, deficiencies, settlements, assessments, charges, costs and expenses of any nature or kind.

“Closing” means the Initial Closing and the Subsequent Closing.

“Closing Date” means the day on which the Initial Closing and the Subsequent Closing have been consummated.

“Commission” means the United States Securities and Exchange Commission.

“Company Intellectual Property” means Company Owned Intellectual Property and Company Licensed Intellectual Property.

“Company Licensed Intellectual Property” means any and all the intellectual property licensed to any Group Company necessary for the business as currently conducted and as presently proposed to be conducted.

“Company Owned Intellectual Property” means any and all the intellectual property owned by any Group Company necessary for the business as currently conducted and as presently proposed to be conducted.

“Consent” means any consent, approval, order or authorization of, or any declaration, filing or registration with, or any application or report to, or any waiver by, or any other action (whether similar or dissimilar to any of the foregoing) of, by or with, any Person, which is necessary in order to take a specified action or actions, in a specified manner and/or to achieve a specific result.

“Contract” means any written or oral contract, agreement, order or commitment of any nature whatsoever, including, any sales order, purchase order, lease, sublease, license agreement, services agreement, loan agreement, mortgage, security agreement, guarantee, management contract, employment agreement, consulting agreement, partnership agreement, shareholders agreement, buy sell agreement, option, warrant, debenture, subscription, call or put.

“Control” means the possession, direct or indirect, of the power to direct, or cause the direction of, the management and policies of a Person, whether through the ownership of 50% or more of voting securities, by contract or otherwise.

“Environmental Requirements” means all Laws and requirements relating to human, health, safety or protection of the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, or Hazardous Materials in the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), or otherwise relating to the treatment, storage, disposal, transport or handling of any Hazardous Materials.

“Equity Securities” means, with respect to a given Person, any share, share capital, registered capital, ownership interest, partnership interest, equity interest, joint venture or other ownership interest of such Person, or any option, warrant, or right to subscribe for, acquire or purchase any of the foregoing, or any other security or instrument convertible into or exercisable or exchangeable for any of the foregoing, or any equity appreciation, phantom equity, equity plan or similar right with respect to such Person, or any Contract of any kind for the purchase or acquisition from such Person of any of the foregoing, either directly or indirectly.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Financial Statements” means the audited consolidated balance sheets and profit and loss statements for the Company as of and for the 12-month period ending December 31, 2017; the unaudited consolidated balance sheets and profit and loss statements for the Company as of and for the nine-month period ending September 30, 2018; and the unaudited balance sheets, income statements and statements of cash flow for each Group Company that is a PRC entity as of and for the nine-month period ending September 30, 2018 prepared in accordance with PRC GAAP, of which each Financial Statement is included in Section 3.1(h) of the Disclosure Schedules.

“GAAP” means generally accepted accounting principles, methods and practices set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, and statements and pronouncements of the Financial Accounting Standards Board, the SEC or of such other Person as may be approved by a significant segment of the U.S. accounting profession, in each case as of the date or period at issue, and as applied in the U.S. to U.S. companies.

“Governmental Authority” means any foreign, federal, state or local government, or any political subdivision thereof, or any court, agency or other body, organization, group, stock market or exchange exercising any executive, legislative, judicial, quasi-judicial, regulatory or administrative function of government.

“Group Companies” means the Company and any direct or indirect Subsidiary of the Company, including and each a “Group Company”.

“Hazardous Materials” means: (i) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls (PCB’s); (ii) any chemicals, materials, substances or wastes which are now or hereafter become defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous wastes,” “restricted hazardous wastes,” “toxic substances,” “toxic pollutants” or words of similar import, under any Law; and (iii) any other chemical, material, substance, or waste, exposure to which is now or hereafter prohibited, limited or regulated by any Governmental Authority.

“Initial Closing” shall have the meaning ascribed to such term in Section 2.1

“Initial Closing Date” means the day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchaser’s obligations to pay the Initial Subscription Amount and (ii) the Company’s obligations to deliver the Initial Shares, in each case, have been satisfied or waived.

“Initial Shares” shall have the meaning ascribed to such term in Section 2.1.

“Initial Subscription Amount” shall have the meaning ascribed to such term in Section 2.1.

“Judgment” means any order, writ, injunction, fine, citation, award, decree, stipulation or determination or any other judgment of any nature whatsoever of any Governmental Authority.

“Key Employees” means Song Xuesong (宋雪松), Peng Kegang (彭克刚), Li Baomin (李宝民), Dong Futian (董福田), Jeff Zeng, Hong Ting (洪婷), Mao Cheng (毛成), Li Gang (李刚), Zhao JiAn (赵继安), Fan Zhenhua (范振华), Patrick Zeng and Zhang Dongpu (张东普).

“Law” means any provision of any law, statute, ordinance, code, constitution, charter, treaty, rule or regulation of any Governmental Authority.

“Leases” means all leases for real or personal property.

“Liens” means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right, mortgage, easement, leasehold, assessment, tax, covenant, restriction, reservation, conditional sale, prior assignment, or any other encumbrance, claim, burden or charge of any nature whatsoever.

“Losses” means any and all losses, reduction of cost basis for Tax purposes, Claims, damages, diminution in value of the Group or any Group Company, the Ordinary Shares, liabilities and expenses (joint or several), including reasonable attorneys’ and paralegals’ fees and expenses, court costs, settlement amounts, costs of investigation, preparing, compromising or defending against any litigation, commenced or threatened, or any Claim whatsoever and interest thereon from the time such amounts are due at the highest non-usurious rate of interest permitted by applicable Law, to which any of the Indemnified Party (as defined in Section 5.1) may become subject.

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“Material Adverse Effect” means with respect to the event, item or question at issue, that such event, item or question would not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of this Agreement or any of the Transaction Documents; (ii) a material adverse effect on the results of operations, Assets, business or condition (financial or otherwise) or prospects of the Company or any of its subsidiaries, either individually or taken as a whole; (iii) a material adverse effect on the Company’s or its subsidiaries’ ability to perform, on a timely basis, its or their respective Obligations under this Agreement or any Transaction Documents; or (iv) a material adverse effect on Purchaser’s ability to sell or dispose of any of the Shares in accordance with applicable securities Laws.

“Material Contract” shall mean any Contract to which any Group Company is a party or by which any Group Company, or any of their Assets, are bound and which: (i) is relating to the formation, creation, operation, management or Control of a partnership, joint venture, limited liability company or similar arrangement; (ii) involves a loan (other than accounts receivable from trade debtors in the ordinary course of business) or advance to (other than travel and entertainment allowances to the employees of any Group Company extended in the ordinary course of business), or investment in, any Person, of more than US\$100,000 in any calendar year on its face; (iii) involves indebtedness of any Group Company of more than US\$100,000; (iv) contains a right of first refusal, put, call or similar right pursuant to which any Group Company could be required to purchase or sell, as applicable, any equity interests of any Person or material assets; (v) involves aggregate expenditure of US\$100,000 or more to or from any Group Company; (vi) involves delivery, purchase, licensing or provision, by or to any Group Company following the date of this Agreement, of any goods, services, assets or other items having a value (or potential value) over the term of such Contract of US\$100,000 or more or is otherwise material to the conduct of any Group Company’s business as now conducted and as contemplated to be conducted in the future; (vii) involves a Lease; (viii) imposes any guaranty, surety or indemnification Obligations on any Group Company; (ix) may result in the loss or create more liability of any Group Company or to lose the benefit of any right, licence or privilege that any Group Company enjoys currently involving an amount of more than US\$100,000; (x) prohibits any Group Company from engaging in any business or competing anywhere in the world; (xi) involves patents, or any other intellectual property that is material to any Group Company; (xii) contains provisions on exclusivity, “change in control”, rights of first refusal or similar rights, or grants a power of attorney, agency or similar authority; (xiii) involves the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of my Equity Securities of any Group Company, or the acquisition or disposition of any assets or business by any Group Company involving an amount of not less than US\$100,000; (xiv) any Contract pursuant to which any Person obtains Control of any Group Company; (xv) was not made in the Ordinary Course of Business or is otherwise than by way of a bargain at arm’s length; (xvi) is of a long-term nature (that is to say, unlikely to be fully performed within six months of it being entered into); (xvii) requires the Group Company to give more than 60 days’ notice to effect its termination; (xviii) involves the waiver, compromise or settlement of any Proceeding; (xix) is any other agreement or arrangement having or likely to have a material effect on the financial or trading position or prospects of any Group Company; or (xx) is a bid, tender, proposal or offer which, if accepted, would result in any Group Company becoming a party to any agreement or arrangement of a kind described in any of paragraphs (i) to (xix) herein.

“Obligation” means any debt, liability or obligation of any nature whatsoever, whether secured, unsecured, recourse, nonrecourse, liquidated, unliquidated, accrued, absolute, fixed, contingent, ascertained, unascertained, known, unknown or obligations under executory Contracts.

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“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice (including with respect to quantity, quality and frequency).

“Ordinary Share” means the ordinary share of the Company, par value US\$0.01 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

“Per Share Purchase Price” equals US\$6.00 per share of Ordinary Share, subject to adjustment for reverse and forward stock splits, stock combinations and other similar transactions of the Ordinary Share that may occur after the date of this Agreement.

“Permit” means any license, permit, approval, waiver, order, authorization, right or privilege of any nature whatsoever, granted, issued, approved or allowed by any Governmental Authority.

“Person” means an individual, corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“PRC GAAP” means the PRC generally accepted accounting principles and practices as in effect from time to time.

“Principal Trading Market” shall mean the Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market, the OTC Markets, including the Bulletin Board and Pink Sheets, the NYSE Euronext or the New York Stock Exchange, whichever is at the time the principal trading exchange or market for the Common Stock.

“Proceeding” means any demand, claim, suit, action, litigation, investigation, audit, study, arbitration, administrative hearing, or any other proceeding of any nature whatsoever.

“Real Property” means any real estate, land, building, structure, improvement, fixture or other real property of any nature whatsoever, including, but not limited to, fee and leasehold interests.

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“SAFE” means the State Administration of Foreign Exchange of the PRC and /or its local counterparts.

“SAFE Rules and Regulations” means any and all applicable rules, regulations, guidelines and reporting and registration requirements issued by SAFE.

“Sanctions” means any sanction from time to time administered by the Office of Foreign Assets Control of the United States Department of Treasury (“OFAC”), or by the United States Department of State or by Her Majesty’s Treasury or any sanctions imposed by the European Union (including under Council Regulation (EC) No.194/2008), the United Nations Security Council or any other relevant Governmental Authority and any activities sanctionable under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, as amended or the Iran Sanctions Act, as amended.

“SEC” means the United States Securities and Exchange Commission.

“SEC Reports” shall have the meaning ascribed to such term in Section 3.1(g).

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“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Securities Laws” means, collectively, the Sarbanes-Oxley Act of 2002, as amended (“Sarbanes-Oxley”), the Securities Act, the Exchange Act, the Rules and Regulations, the auditing principles, rules, standards and practices applicable to auditors of “issuers” (as defined in Sarbanes-Oxley) promulgated or approved by the Public Company Accounting Oversight Board and applicable state securities laws and regulations.

“Shares” shall mean the Initial Shares and the Subsequent Shares.

“Short Sales” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Ordinary Share).

“Subscription Amount” means the amount calculated by multiplying the Shares to be purchased by the Per Share Purchase Price in United States dollars and in immediately available funds.

“Subsequent Closing” shall have the meaning ascribed to such term in Section 2.1.

“Subsequent Closing Date” means the day on all conditions precedent to (i) the Purchaser’s obligations to pay the Subsequent Subscription Amount and (ii) the Company’s obligations to deliver the Subsequent Shares, in each case, have been satisfied or waived.

“Subsequent Shares” shall have the meaning ascribed to such term in Section 2.1.

“Subsequent Subscription Amount” shall have the meaning ascribed to such term in Section 2.1.

“Subsidiary” means any subsidiary of the Company and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof. For the avoidance of doubt, the Subsidiaries of the Company shall include MMB Limited, Mobile Media (China) Limited and SuperEngine Holding Limited, Zhong Chuan Tian Xia Information and Technology (Beijing) Limited (中传天下信息科技(北京)有限公司), Zhong Chuan Tian Xia Information and Technology (Shenzhen) Limited (中传天下信息科技(深圳)有限公司), Beijing Zhong Chuan Shi Xun Technology Limited (北京中传视讯科技有限公司), Jiangsu Zhong Chuan Rui You Information and Technology Limited (江苏中传瑞有信息科技有限公司), Huoerguosi Luokuang Information and Technology Limited (霍尔果斯箩筐信息科技有限公司), Shenzhen Zhou Shi Dai Digital and Technology Limited (深圳市九州时代数码科技有限公司) Suzhou Superengine Graphics Software Technology Development Co., Ltd. (苏州超擎图形软件科技发展有限公司) and Anhui Superengine Intelligent and Technology Limited (安徽超擎智能科技有限公司).

“Tax” means (i) any foreign, federal, state or local income, profits, gross receipts, franchise, sales, use, occupancy, general property, real property, personal property, intangible property, transfer, fuel, excise, accumulated earnings, personal holding company, unemployment compensation, social security, withholding taxes, payroll taxes, or any other tax of any nature whatsoever, (ii) any foreign, federal, state or local organization fee, qualification fee, annual report fee, filing fee, occupation fee, or any other fee or charge of such nature whatsoever, or (iii) any deficiency, interest or penalty imposed with respect to any of the foregoing.

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“Tax Return” means any tax return, filing, declaration, information statement or other form or document required to be filed in connection with or with respect to any Tax.

“Transaction Documents” means this Agreement, and any other documents or agreements executed between the Company and the Purchaser in connection with the transactions contemplated hereunder.

“Transfer Agent” means Worldwide Stock Transfer, LLC, the current transfer agent of the Company, with a mailing address of One University Plaza, Suite 505.Hackensack, NJ 07601, and any successor transfer agent of the Company.

ARTICLE II. PURCHASE AND SALE

2.1 Closing.

(a) Upon the terms and subject to the conditions set forth herein, the Company agrees to sell, and the Purchaser agrees to purchase, 2,000,000 shares of Ordinary Shares of the Company (the “Shares”). Upon receiving 50% of the Purchaser’s Subscription Amount on the Initial Closing Date (the “Initial Subscription Amount”) and the delivery by the Purchaser of the other items set forth in Section 2.2 deliverable at the Initial Closing, the Company shall deliver the 1,000,000 shares of Ordinary Shares of the Company (the “Initial Shares”) to the Purchaser on the Initial Closing Date. The Company shall file a Registration Statement on Form F-3 with the SEC seeking registration of the Shares for resale before the deadline provided in Section 4.5(d) (the “Registration Statement”).

(b) Within five (5) Business Days of the satisfaction or waiver of the conditions set forth in Section 2.3, the Company shall have the right to require the Purchaser to purchase the Subsequent Shares by delivering to the Purchaser, by facsimile and overnight courier, an irrevocable written notice that the Company has exercised its right to require the Purchaser to purchase the Subsequent Shares (the “Subsequent Closing Notice”). The Purchaser shall pay the remaining Subscription Amount (namely, US\$6,000,000) (the “Subsequent Subscription Amount”) by wire transfer to the bank account designated by the Company within five (5) Business Days of the date receiving the Subsequent Closing Notice and the Company shall deliver the 1,000,000 shares of the Ordinary Shares of the Company (the “Subsequent Shares”) (without any restrictive legend) to the Purchaser within three (3) Business Days of the payment of the Subsequent Subscription Amount

(the "Subsequent Closing"). If the SEC only approves the effectiveness of the Registration Statement covering the resale of the Initial Shares, the Purchaser shall notify the Company in writing or sending a notice via email at yujie@luokung.com whether it shall purchase the Subsequent Shares within seven (7) calendar days of the date on which the restrictive legend on the certificates representing the Initial Shares is removed. The purchase price shall still be fixed at US\$6.00 per Share. The Company shall deliver the Subsequent Shares to the Purchaser within three (3) Business Days of the payment of the Subsequent Subscription Amount and shall file a Registration Statement covering the resale of the Subsequent Shares within four weeks after the date of payment of the Subsequent Subscription Amount by the Purchaser. If the condition set forth in Section 2.3(b)(viii) has not occurred by the date that is nine (9) months after the Initial Closing Date, the Purchaser's obligation to purchase the Subsequent Shares shall be terminated. For the avoidance of doubt, the Company and the Purchaser shall sign a separate agreement if the Purchaser wants to purchase any Ordinary Share after a period of the nine (9) months from the Initial Closing Date.

2.2 Closing Deliveries.

(a) On or prior to the Initial Closing Date, the Company shall deliver or cause to be delivered to the Purchaser each of the following:

(i) this Agreement duly executed by the Company;

(ii) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver the Initial Shares equal to the Purchaser's Initial Subscription Amount divided by the Per Share Purchase Price, in the name of the Purchaser.

(b) On or prior to the Initial Closing Date, the Purchaser shall deliver or cause to be delivered to the Company, as applicable, the following:

(i) this Agreement duly executed by the Purchaser; and

(ii) the Purchaser's Initial Subscription Amount by wire transfer to the bank account directed by the Company.

(c) On or prior to the Subsequent Closing Date, the Company shall deliver or cause to be delivered to the Purchaser a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver the Subsequent Shares equal to the Purchaser's Subsequent Subscription Amount divided by the Per Share Purchase Price, in the name of the Purchaser. On or prior to the Subsequent Closing Date, the Purchaser shall deliver or cause to be delivered to the Company, as applicable, the Purchaser's Subsequent Subscription Amount by wire transfer to the bank account directed by the Company.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with a Closing are subject to the following conditions being met at or before the applicable Closing Date:

(i) the accuracy when made and on such Closing Date of the representations and warranties of the Purchaser contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Purchaser required to be performed at or prior to such Closing Date shall have been performed; and

(iii) the delivery by the Purchaser of the items set forth in Section 2.2(b) or (c) (if applicable) of this Agreement on or prior to such Closing Date.

(b) The obligations of the Purchaser hereunder in connection with a Closing are subject to the following conditions being met at or before the applicable Closing Date:

(i) the Company having obtained all necessary approval, license, consent, authorization, waiver, order or notice for the entering into of this Agreement and the transactions contemplated thereunder from Governmental Authority or other parties (including but not limited to creditors, investors or stakeholders) and such approval, license, consent, authorization, waiver, order or notice has not been revoked before such Closing Date (if applicable);

(ii) the accuracy when made and on such Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they will be accurate as of such date). Purchaser shall have received a certificate, executed by the President of the Company, to the foregoing in the form reasonably acceptable to Purchaser;

(iii) all obligations, covenants and agreements of the Company required to be performed at or prior to such Closing Date shall have been performed;

(iv) the delivery by the Company of the items set forth in Section 2.2(a) or (c) (if applicable) of this Agreement on or prior to such Closing Date;

(v) the Company shall have delivered to Purchaser a certificate evidencing the formation and good standing of the Company in its jurisdiction of formation issued by the Secretary of State (or comparable office) of such jurisdiction of formation as of a date within ten (10) days of such Closing Date;

(vi) the Company shall have delivered to Purchaser a certificate, in the form acceptable to Purchaser, executed by the Secretary of the Company dated as of each Closing Date, as to (i) the resolutions consistent with Section 3.1(b) as adopted by the Company's board of directors in a form reasonably acceptable to Purchaser, (ii) Memorandum of Association and Articles of Association as in effect at such Closing.

(vii) the Ordinary Shares (I) shall be listed on the Nasdaq and (II) shall not have been suspended, as of such Closing Date, by the Commission or the Nasdaq from trading nor shall suspension by the Commission or the Nasdaq have been threatened, as of such Closing Date, either (A) in writing by the Commission or Nasdaq or (B) by falling below the minimum listing maintenance requirements of the Nasdaq market;

(viii) prior to the Subsequent Closing Date, the Registration Statement covering the resale of the Shares thereby shall have been declared effective under the Securities Act by the Commission and shall remain effective, and the Purchaser shall be permitted to utilize the Prospectus therein to resell such Shares;

(ix) if requested by the Purchaser from and after the date the Registration Statement has been declared effective, the Company shall request its transfer agent to remove the restrictive legend on the certificates representing the Shares; and

**ARTICLE III.
REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of the Company. Except as indicated in the SEC Reports or, if not indicated in the SEC Reports, as set forth and disclosed in the Company's disclosure schedules ("Disclosure Schedules") attached to this Agreement and made a part hereof, the Company hereby represents and warrants to the Purchaser as of the date of this Agreement and as of the Initial Closing Date and the Subsequent Closing Date, which the Company might provide updates for representations and warranties before the Subsequent Closing Date, as follows:

(a) Organization and Qualification. The Company and each of the Subsidiaries, if any, is an entity duly incorporated or otherwise organized and validly existing under the laws of each jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Each Group Company is qualified to do business in each jurisdiction in which it conducts business. Each Group Company that is a PRC entity has a valid business license issued by the State Administration for Industry and Commerce or its local branch or other relevant Governmental Authorities (a true and complete copy of which has been made available to the Purchaser for inspection), and has, since its establishment, carried on its business in compliance with the business scope set forth in its business license. Each representation and warranty contained in this Article III or otherwise set forth in this Agreement shall be deemed to mean and be construed to include the Company and each Group Company, as applicable, regardless of whether each of such representations and warranties in Article III specifically refers to the Group Companies or not.

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(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith.

(c) Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any governmental authority or any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents or the offer, issue and sale of the Shares, other than: (i) the disclosure filing required for this Agreement, or (ii) such filings as are required to be made under applicable state securities laws. All Consents which the Company is required to obtain pursuant to the immediately preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not aware of any facts or circumstances which might give rise to any of the foregoing.

(d) No Violation. The execution, delivery and performance of this Agreement and the Transaction Documents, and the consummation of the transactions contemplated hereby and thereby, including the issuance of any of the Shares, will not: (i) constitute a violation of or conflict with any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents; (ii) constitute a violation of, or a default or breach under (either immediately, upon notice, upon lapse of time, or both), or conflicts with, or gives to any other Person any rights of termination, amendment, acceleration or cancellation of, any provision of any Contract to which Company is a party or by which any of its Assets or properties may be bound; (iii) constitute a violation of, or a default or breach under (either immediately, upon notice, upon lapse of time, or both), or conflicts with, any Judgment; (iv) constitute a violation of, or conflict with, any Law (including United States federal and state securities Laws and the rules and regulations of any market or exchange on which the Ordinary Shares are quoted); or (v) result in the loss or adverse modification of, or the imposition of any fine, penalty or other Liens with respect to, any Permit granted or issued to, or otherwise held by or for the use of, Company or any of Company's Assets. The Company is not in violation of its Memorandum of Association and Articles of Association or other organizational or governing documents and the Company is not in default or breach (and no event has occurred which with notice or lapse of time or both could put the Company in default or breach) under, and the Company has not taken any action or failed to take any action that would give to any other Person any rights of termination, amendment, acceleration or cancellation of, any Contract to which the Company is a party or by which any property or Assets of the Company are bound or affected.

(e) Authorization of the Shares. The Shares to be sold by the Company and their issue and sale are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and non-assessable and free and clear of all Liens with respect to the issue thereof, and will be issued in compliance with all applicable Securities Laws.

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(f) Group Structure and Capitalization. Section 3.1 (f) of the Disclosure Schedules sets forth a complete and accurate structure chart of the Group immediately after the Closing.

(a) As of the date hereof, each Group Company that is a PRC entity is duly organized and validly existing under the Laws of the PRC. Immediately prior to the Closing, the authorized capital stock of the Company will consist of 250,000,000 Ordinary Shares, of which 199,317,558 Ordinary Shares are issued and outstanding. Immediately prior to the Closing, the Ordinary Shares shall be quoted on the Nasdaq under the trading symbol "LKCO."

(b) All the share capital or registered capital of each Group Company outstanding as of the date hereof has been validly issued and are fully paid or contributed and nonassessable. No share capital or registered capital of any Group Company is subject to preemptive rights or any other similar rights or any Liens.

(c) As of the date hereof: (i) there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any Shares of capital stock of the Company or any of its subsidiaries, or Contracts, commitments, understandings or arrangements by which the Company or any of its subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its subsidiaries, or options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any Shares of capital stock of the Company or any of its subsidiaries; (ii) there are no outstanding debt securities, notes, credit agreements, credit facilities or other Contracts or instruments evidencing indebtedness of the Company or any of its subsidiaries, or by which the Company or any of its subsidiaries is or may become bound; (iii) there are no outstanding registration statements with respect to the Company or any of its securities; (iv) there are no agreements or arrangements under which the Company or any of its subsidiaries is obligated to register the sale of any of their securities under the Securities Act (except pursuant to this Agreement); (v) there are no financing statements securing obligations filed in connection with any Group Company or any of its Assets; (vi) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by this Agreement or any related agreement or the consummation of the transactions described herein or therein; and (vii) there are no outstanding securities or instruments of any Group Company which contain any redemption or similar provisions, and there are no Contracts by which any Group Company is or may become bound to redeem Equity Securities of any Group Company.

(d) As of the date hereof: (i) there is no resolution pending to increase the share capital or registered capital of any Group Company or cause the liquidation, winding up, or dissolution of any Group Company, nor has any distress, execution or other process been levied against any Group Company; (ii) there is no outstanding Contract under which any Person purchases or otherwise acquires, or has the right to purchase or otherwise acquire, any interest in the share capital or registered capital of any Group Company; (iii) there is no dividend which has accrued or been declared by any Group Company; and (iv) there is no outstanding

(e) There are no stockholders agreements, voting agreements, or other similar agreements with respect to any of the Equity Securities of any Group Company to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(g) SEC Reports. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto, documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports"). The Company is current with its filing obligations under the Exchange Act and all SEC Documents have been filed on a timely basis or the Company has received a valid extension of such time of filing and has filed any such SEC Document prior to the expiration of any such extension. The Company represents and warrants that true and complete copies of the SEC Documents are available on the Commission's website (www.sec.gov) at no charge to Purchaser, and Purchaser acknowledges that it may retrieve all SEC Documents from such website and Purchaser's access to such SEC Documents through such website shall constitute delivery of the SEC Documents to Purchaser; provided, however, that if Purchaser is unable to obtain any of such SEC Documents from such website at no charge, as result of such website not being available or any other reason beyond Purchaser's control, then upon request from Purchaser, the Company shall deliver to Purchaser true and complete copies of such SEC Documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act, and none of the SEC Documents, at the time they were filed with the Commission, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable Law (except as such statements have been amended or updated in subsequent filings prior the date hereof, which amendments or updates are also part of the SEC Documents). To the knowledge of the Company and its officers, no other information provided by or on behalf of the Company to Purchaser which is not included in the SEC Documents contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstance under which they are or were made, not misleading.

(h) Financial Statements. The Company has delivered to the Purchaser on the date hereof a complete and accurate copy of the Financial Statements. As of their respective dates, the Financial Statements of the Company complied in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto.

(a) All of the Financial Statements: (i) have been prepared in accordance with the books and records of relevant Group Company; and in accordance with GAAP or PRC GAAP with respect to the Group Company that is a PRC entity, consistently applied, during the periods involved (except: (a) as may be otherwise indicated in such Financial Statements or the notes thereto; or (b) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements); (ii) fairly present in all material respects the consolidated financial position and financial performance of the Group Company as of the dates thereof and the consolidated results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments); and (iii) are not misleading in any material respect and neither materially overstate the value of assets nor materially understate the liabilities of the Group Company as of the dates to which they were drawn up and do not materially overstate the profits of the Group Company in respect of the periods to which they relate.

(b) Off-balance Sheet Transactions. No Group Company has entered into any off-balance sheet transactions or arrangements.

(i) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Shares, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j) Absence of Certain Changes. Since the date the last of the SEC Documents was filed with the SEC, none of the following have occurred:

(a) any event or circumstance of any nature whatsoever that, individually or in the aggregate, has resulted in, or could reasonably be expected to result in, a Material Adverse Effect;

(b) any transaction, event, action, development, payment, or any other matter of any nature whatsoever entered into by the Company which constitutes a Material Contract;

(c) any material change or amendment to a Material Contract or any constitutional document of any Group Company;

(d) any increase in the wages, salaries or other payments of the Key Employees by more than 15% in a year;

(e) any declaration, setting aside or payment or other distribution in respect of any of such Group Company's Equity Securities, or any direct or indirect redemption, purchase or other acquisition of any of such Equity Securities by such Group Company; or

(f) any change in the accounting methods or practices, of any Group Company.

(k) Absence of Litigation or Adverse Matters. Except as set forth in Section 3.1(k) of the Disclosure Schedules, (i) There is no Proceeding or Judgment with a Material Adverse Effect on the execution and performance of this Agreement or other Transaction Documents to which the Company is a party; (ii) there is no Proceeding before or by any Governmental Authority or any other Person, pending, or the best of Company's knowledge, threatened or contemplated by, against or affecting any Group Company, its business or Assets, and to the knowledge of the Company, there is no event or circumstance that may form a basis for any such Proceeding. The foregoing includes, without limitation, Proceedings pending or threatened against the Company, any other Group Companies or the business of the Group Companies (or any basis therefor known to any Group Company) involving the prior employment of any employee of any Group Company, their use in connection with the business of the Group Companies of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with former employers; (iii) there is no outstanding Judgments against or affecting any Group Company, its business or Assets; (iv) there is no Proceeding by any Group Company that is currently pending or that any Group Company currently intends to initiate; (v) there is no material Proceeding pending or, to the knowledge of the Company, threatened, against any Group Company or any director, officer or employee with respect to their business or proposed business activities; (vi) the Group Company is not in breach or violation of any Contract; and (vii) the Group Company has not received any material complaint from any customer, supplier, vendor or employee.

(l) Liabilities and Indebtedness of the Company. The Company does not have any Obligations of any nature whatsoever, except: (i) as disclosed in the Financial Statements and in Section 3.1(l) of the Disclosure Schedules; or (ii) Obligations incurred in the Ordinary Course of Business since the date of the last Financial Statements filed by the Company with the SEC which do not or would not, individually or in the aggregate, exceed Ten Thousand Dollars (\$10,000) or otherwise have a Material Adverse Effect.

(m) Title to Assets. The Company has good and marketable title to, or a valid leasehold interest in, all of its Assets which are material to the business and operations of the Company as presently conducted, free and clear of all Encumbrances or restrictions on the transfer or use of same. Except as would not have a Material Adverse Effect, the Company's Assets are in good operating condition and repair, ordinary wear and tear excepted, and are free of any latent or patent defects which might impair their usefulness, and are suitable for the purposes for which they are currently used and for the purposes for which they are proposed to be used.

(n) Real Estate.

(a) Real Property Ownership. The Company does not own any Real Property.

(b) Real Property Leases. Section 3.1(n) of the Disclosure Schedules sets forth a true and complete description of locations that are the subject of leases, subleases and other agreements under which any Group Company uses or occupies or has the right to use or occupy any real property (each lease a "Real Property Lease" and the properties governed by such Real Property Leases are referred to herein as "Leased Properties"), in each case including (i) the address of each such Leased Property and (ii) the general nature of the current use of each such Leased Property. There is no material breach nor any material non-observance of any covenant, condition or agreement contained in any Real Property Lease on the part of either the relevant landlord or the Group Company. There are no restrictions in any Real Property Lease which prevent the Leased Properties from being used for their present use. With respect to each Real Property Lease: (i) the Group Company has been in peaceful possession of the property leased thereunder and neither the Group Company nor the landlord is in default thereunder; (ii) no waiver, indulgence or postponement of any of the Obligations thereunder has been granted by the Group Company or landlord thereunder; and (iii) there exists no event, occurrence, condition or act known to the Group Company which, upon notice or lapse of time or both, would be or could become a default thereunder or which could result in the termination of the Real Property Leases, or any of them, or have a Material Adverse Effect on the business of the Group Company, its Assets or its operations or financial results. The Group Company has not violated nor breached any provision of any such Real Property Leases, and all Obligations required to be performed by the Group Company under any of such Real Property Leases have been fully, timely and properly performed. If requested by Purchaser, the Group Company has delivered to Purchaser true, correct and complete copies of all Real Property Leases, including all modifications and amendments thereto, whether in writing or otherwise. The Group Company has not received any written or oral notice to the effect that any of the Real Property Leases will not be renewed at the termination of the term of such Real Property Leases, or that any of such Real Property Leases will be renewed only at higher rents. All the material properties leased or occupied by each Group Company are under valid and enforceable leases or agreements.

(o) Material Contracts. Section 3.1(o) of the Disclosure Schedules contains a true and complete list of all Material Contracts, and a copy of each Material Contract has been provided by the Company to the Purchaser. There are no outstanding offers, bids, proposals or quotations made by Company which, if accepted, would create a Material Contract with Company. Each Material Contract is in full force and effect and is a valid and binding Obligation of the parties thereto in accordance with the terms and conditions thereof. Each Material Contract is negotiated on arm's length basis and is in the Ordinary Course of Business and is not of an unusual or abnormal nature. To the knowledge of the Company and its officers, all Obligations required to be performed under the terms of each of the Material Contracts by any party thereto have been fully performed by all parties thereto, and no party to any Material Contracts is in default with respect to any term or condition thereof, nor has any event occurred which, through the passage of time or the giving of notice, or both, would constitute a default thereunder or would cause the acceleration or modification of any Obligation of any party thereto or the creation of any Encumbrance upon any of the Assets of the Company. Further, the Company has received no notice, nor does the Company have any knowledge, of any pending or contemplated termination of any of the Material Contracts and, no such termination is proposed or has been threatened, whether in writing or orally.

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(p) Compliance with Laws. The Company is and at all times has been in material compliance with all Laws, including the anti-corruption laws. The Company has not received any notice that it is in violation of, has violated, or is under investigation with respect to, or has been threatened to be charged with, any violation of any Law.

(q) Permits. Each Group Company possesses all Permits necessary to conduct its business, and the Group Company has not received any notice of, or is otherwise involved in any Proceedings relating to, the revocation or modification of any such Permits. All such Permits are valid and in full force and effect and the Group Company is in material compliance with the respective requirements of all such Permits.

(r) Intellectual Property. The Group Companies own or possess adequate and legally enforceable rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and all other intellectual property rights necessary to conduct its business as now conducted.

(a) To the knowledge of the Company, the Group Companies own all right, title and interest in and to the Company Owned Intellectual Property, or has all necessary and valid rights to use in the business under valid and enforceable licenses or agreements under all Company Licensed Intellectual Property. The license fees, maintenance fees and other fees (if any) in respect of the Company Licensed Intellectual Property have been paid. All of the Company Intellectual Property is subsisting, valid and enforceable and is free and clear of all Liens.

(b) There is no notice, claim or assertion challenging the inventorship, validity, ownership, enforceability, or right of the Group Companies to use, any item of the Company Intellectual Property. There is no actual, pending or, to the knowledge of the Company, threatened claim, Proceeding, opposition, re-examination, interference, invalidation, or cancellation proceeding with respect thereto.

(c) Section 3.1(r) of the Disclosure Schedules sets forth a complete and accurate list of each item of registered Company Owned Intellectual Property and each item of registered Company Licensed Intellectual Property. The Group Companies have previously disclosed or made available to the Purchaser and its agents all material information in its possession that it is aware of related to the Company Intellectual Property as it relates to the business.

(d) All licenses to Company Intellectual Property licensed to the Group Companies by third parties (the "Intellectual Property Licenses") are in full force and effect in accordance with their terms. The Group Companies have made available to the Purchaser correct and complete copies of all Intellectual Property Licenses.

(e) To the knowledge of the Company, the Group Companies' conduct of the business has not and does not interfere with, infringe upon, misappropriate or violate in any material respect any Intellectual Property rights of third parties, none of the Group Companies engages or has engaged in any such interference, infringement, misappropriation, or violation. None of the Group Companies has received in writing any charge, complaint, claim, demand or notice alleging any such interference, infringement, misappropriation or violation.

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(f) To the knowledge of the Company, no third party has interfered with, infringed upon, misappropriated or violated any Company Intellectual Property.

(g) The Group Companies have taken reasonable and appropriate steps that in the judgment of such Group Company are prudent to protect the title and ownership in the Company Owned Intellectual Property, the secrecy, confidentiality, and value of Company Intellectual Property. All officers, employees,

consultants, or contractors or inventors of any Company Owned Intellectual Property have taken all legally required steps to ensure that it owns all Intellectual Property arising from the activities of its officers, employees, consultants, or contractor to enter into valid and enforceable agreements (1) imposing obligations to keep the confidential information of the such Group Company confidential, and (2) providing for the assignment to such Group Company of any Intellectual Property developed or arising out of such officer's, employee's, consultant's and contractor's employment, engagement, or contract with such Group Company.

(h) None of its officers, employees, consultants, or contractors or their respective Affiliates (i) owns, directly or indirectly, in whole or in part, any interest in any of the Company Owned Intellectual Property, or (ii) to the knowledge of the Company, is obligated under any Contract, or subject to any Order, that would interfere with the use of such officers', employees', consultants', or contractors' best efforts to promote the interests of such Group Company or that would conflict with the Group Companies' conduct of the business, or that would prevent such officers, employees, consultants, or contractors from assigning to such Group Company all Intellectual Property conceived, developed or reduced to practice in connection with services rendered to such Group Company.

(s) Labor and Employment Matters. The Company is not involved in any labor dispute or, to the knowledge of the Company, is any such dispute threatened. To the knowledge of the Company and its officers, none of the Company's employees is a member of a union and the Company believes that its relations with its employees are good. To the knowledge of the Company and its officers, the Company has complied in all material respects with all Laws relating to employment matters, civil rights and equal employment opportunities.

(a) Each Group Company (i) has withheld and reported all amounts required by any applicable Law or any Contract to be withheld and reported with respect to wages, salaries and other payments to employees; (ii) is not liable for any arrear of wages, Tax or penalty for failure to comply with any of the foregoing; and (iii) other than as required by applicable Laws, is not liable for any payment to any trust or fund governed by or maintained by or on behalf of any Governmental Authority with respect to unemployment compensation benefits, social security or other benefits or obligations for employees.

(b) There is no share incentive, share option or profit sharing arrangement for or affecting any current or former employee or worker of any Group Company. Except as required by applicable laws and set forth in Section 3.1(s) of the Disclosure Schedules, no Group Company has or maintains any employee pension plan, medical insurance, or life insurance to which any Group Company contributed or is obliged to contribute thereunder for current or former employees of any Group Company.

(c) To the knowledge of any of the Company, each Key Employee has entered into an agreement with his or her employer Group Company in respect of non-competition and non-solicitation undertakings. To the knowledge of any of the Company, no Key Employee intends to terminate their employment with his or her employer Group Company, nor does such Group Company have a present intention to terminate such Key Employee. Each Key Employee of the Group Companies is currently devoting his or her full working time to the conduct of the business. To the knowledge of any of the Company, no Key Employee (i) is planning to work less than full time at a Group Company in the future, and (ii) currently working for a Person that competes with the business.

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(t) Tax Matters. The Company has made and timely filed all Tax Returns required by any jurisdiction to which it is subject, and each such Tax Return has been prepared in compliance with all applicable Laws, and all such Tax Returns are true and accurate in all respects. Except and only to the extent that the Company has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported Taxes, the Company has timely paid all Taxes shown or determined to be due on such Tax Returns, except those being contested in good faith, and the Company has set aside on its books provision reasonably adequate for the payment of all Taxes for periods subsequent to the periods to which such Tax Returns apply. There are no unpaid Taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has withheld and paid all Taxes to the appropriate Governmental Authority required to have been withheld and paid in connection with amounts paid or owing to any Person. There is no Proceeding or Claim for refund now in progress, pending or threatened against or with respect to the Company regarding Taxes.

(u) Business Location. The Company has no office or place of business other than as identified in the SEC Reports and the Company's principal places of business and chief executive offices are indicated in the SEC Reports. All books and records of the Company and other material Assets of the Company are held or located at the principal offices of the Company.

(v) Illegal Payments. Neither the Company, nor any director, officer, agent, employee or other Person acting on behalf of the Company has, in the course of his actions for, or on behalf of, the Company: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

(w) Interested Party Transactions. Except for arm's length transactions pursuant to which the Group Company makes payments in the Ordinary Course of Business upon terms no less favorable than the Group Company could obtain from third parties, none of the officers, directors or employees of any Group Company, nor any stockholders who own, legally or beneficially, five percent (5%) or more of the issued and outstanding shares of any class of the Company's capital stock (each a "Material Shareholder") (collectively, the "Interested Party"), is presently a party to any transaction with any Group Company (other than for services as employees, officers and directors), including any Contract providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from, any Interested Party or, to the best knowledge of the Company, any other Person in which any Interested Party has a substantial or material interest in or of which any officer, director or employee of any Group Company or Material Shareholder is an officer, director, trustee or partner. There are no Claims or disputes of any nature or kind between the any Group Company and any Interested Party, or between any of them, relating to any Group Company. No Interested Party (i) is indebted to any Group Company nor is any Group Company indebted to any Interested Party (other than for accrued salaries, reimburse expenses or other standard employee benefits); or (ii) has any direct or indirect ownership interest, with any Person with which any Group Company has a business relationship or any Person which, directly or indirectly, competes with any Group Company.

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(x) Internal Accounting Controls. Except as set forth in the SEC Documents, the Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to Assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for Assets is compared with the existing Assets at reasonable intervals and appropriate action is taken with respect to any differences.

(y) Bad Actor. No "bad actor" disqualifying event described in Rule 506(d)(1)(i)-(viii) of the Securities Act (a "Disqualification Event") is applicable to the Company or, to the Company's knowledge, any Company Covered Person, except for a Disqualification Event as to which Rule 506(d)(2)(ii-iv) or (d)(3), is applicable. As used in this Section 6.28, the term "Company Covered Person" means, with respect to the Company as an "issuer" for purposes of Rule 506 promulgated under the Securities Act, any Person listed in the first paragraph of Rule 506(d)(1).

(z) Brokerage Fees. There is no Person acting on behalf of the Company who is entitled to or has any claim for any financial advisory, brokerage or finder's fee or commission in connection with the execution of this Agreement or the consummation of the transactions contemplated hereby.

(aa) No Material Breach. The Company has confirmed that the Closing of the transaction is dependent on the representations or warranties made by the Company in this Agreement. Any untruth, inaccuracy or incompleteness in any representations or warranties made by the Company in this Agreement which have a Material Adverse Effect on the Group Companies may constitute a material breach of this Agreement.

(bb) Full Disclosure. All the representations and warranties made by Company herein or in the Disclosure Schedules hereto, and all of the statements, documents or other written information and replies pertaining to the transaction contemplated herein made or given by Company, its officers and employees, agents or representatives during the negotiations prior to this Agreement and title due diligence and requisition wan, when given, are now true, complete and accurate, and do not omit any information required to make the statements and information provided, in light of the transaction contemplated herein and in light of the circumstances under which they were made, not misleading and accurate in all material respects.

3.2 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as made of a specific date stated therein, in which case they shall be accurate as of such date):

(a) Organization; Authority. The Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by the Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of the Purchaser. Each Transaction Document to which it is a party has been duly executed by the Purchaser, and when delivered by the Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of the Purchaser, enforceable against it in accordance with its terms.

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(b) Understandings or Arrangements. The Purchaser is acquiring the Shares for its own account and has no direct or indirect arrangement or understandings with any other persons or regarding the distribution of the Shares (this representation and warranty not limiting the Purchaser's right to sell the Shares in compliance with applicable federal and state securities laws). The Purchaser is acquiring the Shares as principal, not as nominee or agent, and not with a view to or for distributing or reselling the Shares or any part thereof in violation of the Securities Act or any applicable state securities law.

(c) Foreign Investor. The Purchaser hereby represents that it has satisfied itself as to the full observance by the Purchaser of the laws of its jurisdiction applicable to the Purchaser in connection with the purchase of the Shares or the execution and delivery by the Purchaser of this Agreement and the Transaction Documents, including (i) the legal requirements within its jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to the purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the Purchaser's purchase, holding, redemption, sale, or transfer of the Shares. The Purchaser's subscription and payment for, and continued beneficial ownership of, the Shares will not violate any securities or other laws of the Purchaser's jurisdiction applicable to the Purchaser.

(d) Experience of Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. The Purchaser is able to bear the economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment.

(e) Access to Information. The Purchaser acknowledges that it has had the opportunity to review the Transaction Documents and the SEC Reports and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Shares and the merits and risks of investing in the Shares; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

(f) Regulation S. The Purchaser is a non-U.S. person (as such term is defined in Rule 902 of Regulation S under the Securities Act) and is not acquiring the Shares for the account or benefit of a U.S. person. The Purchaser will not, within six (6) months of the date of the transfer of the Shares to the Purchaser, (i) make any offers or sales of the Shares in the United States or to, or for the benefit of, a U.S. person (in each case, as defined in Regulation S) other than in accordance with Regulation S or another exemption from the registration requirements of the Securities Act, or (ii) engage in hedging transactions with regard to the Shares unless in compliance with the Securities Act. Neither the Purchaser nor any of the Purchaser's Affiliates or any person acting on his/her or their behalf has engaged or will engage in directed selling efforts (within the meaning of Regulation S) with respect to the Shares, and all such persons have complied and will comply with the offering restriction requirements of Regulation S in connection with the offering of the Shares outside of the United States.

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(g) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, the Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with the Purchaser, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that the Purchaser first discussed the transaction with the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending on the date when this Agreement is publicly disclosed by the Company. The Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction) except the earlier disclosures on the websites of the Stock Exchange of Hong Kong Purchaser simultaneously due to the time difference.

(h) Purchaser Status. At the time the Purchaser was offered the Shares, it was, and as of the date hereof it is, an "accredited investor" as defined in Rule 501(a) under the Securities Act.

(i) No Registration. Subject to Section 4.5(d), the Purchaser understands that the Shares have not been registered under the Securities Act or applicable securities laws of any state or country and therefore the Shares cannot be sold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and applicable state securities laws or exemptions from such registration requirements are available.

(j) No General Solicitation. The Purchaser is not purchasing the Shares as a result of any advertisement, article, notice or other communication regarding the Shares published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

ARTICLE IV. OTHER AGREEMENTS OF THE PARTIES

4.1 Reservation of Securities. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Ordinary Share for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents. Each party shall use its best efforts to timely satisfy each of the conditions to be satisfied by it as provided in Article II of this Agreement.

4.2 Certain Transactions and Confidentiality. The Purchaser covenants that neither it nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales of any of the Company's securities during the period commencing with the execution of this Agreement and ending on the date when this Agreement is publicly disclosed by the Company. The Purchaser also covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company, the Purchaser will maintain the confidentiality of the existence and terms of this transaction except the earlier disclosures on the websites of the Stock Exchange of Hong Kong and of the Purchaser simultaneously due to the time difference.

4.3 Legends. The Shares may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Shares other than pursuant to an effective registration statement, the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Shares under the Securities Act. The Purchaser agrees to the imprinting, so long as is required by this Section 4.3, of a legend on all of the certificates evidencing the Shares in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

THESE SECURITIES ARE BEING OFFERED TO INVESTORS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT")) AND WITHOUT REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT IN RELIANCE UPON REGULATION S PROMULGATED UNDER THE SECURITIES ACT. TRANSFER OF THESE SECURITIES IS PROHIBITED, EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT, OR PURSUANT TO AVAILABLE EXEMPTION FROM REGISTRATION. HEDGING TRANSACTIONS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

4.4 Further Cooperation. The Parties agree to further cooperation going forward, including but not limited to in the following areas: (i) HD Map, (ii) automatic drive, (iii) intelligent travel, and (iv) intelligent city. The Parties will also consider purchasing and holding each other's shares in the future, the purchase price for which shall be negotiated and determined based upon the fair market value of the shares of the Parties.

4.5 Affirmative Covenants.

(a) Reporting Status: Listing. So long as Purchaser owns, legally or beneficially any of the Shares, the Company shall: (i) file in a timely manner all reports required to be filed under the Securities Act, the Exchange Act or any securities Laws and regulations thereof applicable to the Company of any state of the United States, or by the rules and regulations of the Principal Trading Market, and, to provide a copy thereof to Purchaser promptly after such filing upon Purchaser's request; (ii) not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would otherwise permit such termination; (iii) if required by the rules and regulations of the Principal Trading Market, promptly secure the listing of any of the Shares upon the Principal Trading Market (subject to official notice of issuance) and, take all reasonable action under its control to maintain the continued listing, quotation and trading of its Ordinary Shares on the Principal Trading Market, and the Company shall comply in all respects with the Company's reporting, filing and other Obligations under the Memorandum of Association and Articles of Association, the Financial Industry Regulatory Authority, Inc. and such other Governmental Authorities, as applicable. The Company shall promptly provide to Purchaser copies of any notices it receives from the SEC or any Principal Trading Market, to the extent that any such notices could in anyway have or be reasonably expected to have a Material Adverse Effect.

(b) Rule 144. With a view to making available to Purchaser the benefits of Rule 144 under the Securities Act ("Rule 144"), or any similar rule or regulation of the SEC that may at any time permit Purchaser to sell any of the Shares to the public without registration, the Company represents and warrants that: (i) the Company is, and has been for a period of at least ninety (90) days immediately preceding the date hereof, subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; (ii) the Company has filed all required reports under Section 13 or 15(d) of the Exchange Act, as applicable, during the twelve (12) months preceding the Closing Date (or for such shorter period that the Company was required to file such reports); (iii) the Company is not an issuer defined as a "Shell Company" (as hereinafter defined); and (iv) if the Company has, at any time, been an issuer defined as a Shell Company, the Company has: (A) not been an issuer defined as a Shell Company for at least six (6) months prior to the Closing Date; and (B) has satisfied the requirements of Rule 144(i) (including, without limitation, the proper filing of "Form 10 information" at least six (6) months prior to the Closing Date). For the purposes hereof, the term "Shell Company" shall mean an issuer that meets the description set forth under Rule 144(i)(1)(i). In addition, so long as Purchaser owns, legally or beneficially, any of the Shares, the Company shall, at its sole expense:

(i) Make, keep and ensure that adequate current public information with respect to the Company, as required in accordance with Rule 144, is publicly available;

(ii) furnish to Purchaser, promptly upon reasonable request: (A) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act; and (b) such other information as may be reasonably requested by Purchaser to permit Purchaser to sell any of the Shares pursuant to Rule 144 without limitation or restriction;

(iii) promptly at the request of Purchaser and subject to the Securities Laws, give the Company's transfer agent instructions to the effect that, upon the transfer agent's receipt from Purchaser of a certificate (a "Rule 144 Certificate") certifying that Purchaser's holding period (as determined in accordance with the provisions of Rule 144) for any portion of the Shares which Purchaser proposes to sell or remove the restrictive legend (the "Securities Being Sold") is not less than six (6) months, and receipt by the transfer agent of the "Rule 144 Opinion" (as hereinafter defined) from the Company or its counsel (or from Purchaser and its counsel as permitted below), the transfer agent is to effect the removal of the restrictive legend and/or transfer of the Securities Being Sold and issue to Purchaser or transferee(s) thereof one or more stock certificates representing the transferred Securities Being Sold without any restrictive legend and without recording any restrictions on the transferability of such Securities Being Sold on the transfer agent's books and records. In this regard, upon Purchaser's request, the Company shall have an affirmative obligation to cause its counsel to promptly issue to the transfer agent a legal opinion providing that, based on the Rule 144 Certificate, the Securities Being Sold were or may be sold, as applicable, pursuant to the provisions of Rule 144, even in the absence of an effective registration statement (the "Rule 144 Opinion"). If the transfer agent requires any additional documentation in connection with any proposed transfer or removal of restrictive legend by Purchaser of any Securities Being Sold, the Company shall promptly deliver or cause to be delivered to the transfer agent or to any other Person, all such additional documentation from the Company as may be necessary to effectuate the transfer of the Securities Being Sold and the issuance of an unlegended certificate to any transferee thereof, all at the Company's expense. In the event the Purchaser removes the restrictive legend and desires to sell any of

(c) Matters with Respect to Securities and Transfer Agent.

(i) Removal of Restrictive Legends. In the event that Purchaser has any shares of the Company's Common Stock bearing any restrictive legends, and Purchaser, through its counsel or other representatives, submits to the Company's transfer agent ("Transfer Agent") any such shares for the removal of the restrictive legends thereon, pursuant to any exemption to the registration requirements under the Securities Act, and the Company and or its counsel refuses or fails for any reason (except to the extent that such refusal or failure is based solely on applicable Law that would prevent the removal of such restrictive legends) to render an opinion of counsel or any other documents or certificates required for the removal of the restrictive legends, then the Company hereby agrees and acknowledges that Purchaser is hereby irrevocably and expressly authorized to have counsel to Purchaser render any and all opinions and other certificates or instruments which may be required for purposes of removing such restrictive legends, and the Company hereby irrevocably authorizes and directs the Transfer Agent to, without any further confirmation or instructions from the Company, issue any such shares without restrictive legends as instructed by Purchaser when such removal complies with the applicable Law, and surrender to a common carrier for overnight delivery to the address as specified by Purchaser, certificates, registered in the name of Purchaser or its designees, representing the shares of Common Stock to which Purchaser is entitled, without any restrictive legends and otherwise freely transferable on the books and records of the Company.

(ii) Authorized Agent of the Company. The Company hereby irrevocably appoints Purchaser and Purchaser's counsel and its representatives, each as the Company's duly authorized agent and attorney-in-fact for the Company for the purposes of authorizing and instructing the Transfer Agent to process issuances, transfers and legend removals upon instructions from Purchaser, or any counsel or representatives of Purchaser, consistent with this Section 4.5(c). The authorization and power of attorney granted hereby is coupled with an interest and is irrevocable so long as Purchaser owns or has the right to receive, any shares of the Company's Common Stock hereunder. In this regard, the Company hereby confirms to the Transfer Agent and Purchaser that it can NOT and will NOT give instructions, including stop orders or otherwise, inconsistent with the terms of this Section 4.5(c) with regard to the matters contemplated herein, and that Purchaser shall have the absolute right to provide a copy of this Agreement to the Transfer Agent as evidence of the Company's irrevocable authority for Purchaser and Transfer Agent to process issuances, transfers and legend removals upon instructions from Purchaser, or any counsel or representatives of Purchaser, in each case as specifically contemplated in this Section 4.5(c), without any further instructions, orders or confirmations from the Company. In addition, if requested by Purchaser, the Company agrees to use its best good faith efforts to get an agreement executed by the Transfer Agent, reasonably acceptable to Purchaser, pursuant to which the Transfer Agent agrees and confirms that it will act in accordance with the terms of this Section 4.5(c).

(iii) Injunction and Specific Performance. The Company specifically acknowledges and agrees that in the event of a breach or threatened breach by the Company of any provision of this Section 4.5(c), Purchaser will be irreparably damaged and that damages at law would be an inadequate remedy if this Agreement were not specifically enforced. Therefore, in the event of a breach or threatened breach of any provision of this Section 4.5(c) by the Company, Purchaser shall be entitled to obtain, in addition to all other rights or remedies Purchaser may have, at law or in equity, an injunction restraining such breach, without being required to show any actual damage or to post any bond or other security, and/or to a decree for specific performance of the provisions of this Section 4.5(c).

(d) Completion of Subsequent Registration. The Company undertakes to the Purchaser that it shall be obliged to, and shall use its best efforts to have 2,000,000 Shares registered under the Securities Act on Form F-3 (or other comparable applicable form) and applicable state securities laws as soon as practicable and shall file the Registration Statement within two weeks after either (i) the Initial Closing Date or (ii) the date of the Company's publishing its annual report for the year ended December 31, 2018; provided that, however, the Company shall ensure that, in any event, the date of filing the Registration Statement for the Purchaser (i) shall not be later than the date of filing the Registration Statement for other shareholders of the Company; and (ii) shall not be later than April 30, 2019. The Company shall bear all the costs and expenses associated with the registration. If the Company fails to file the Registration Statement covering the resale of the Shares on or before April 30, 2019 or fails to file the Registration Statement covering the resale of the Subsequent Shares before the deadline provided in Section 2.1(b), it shall indemnify the Purchaser US\$30,000 per calendar day, subject to a maximum of US\$3 million in aggregate, and any compensation amount shall (i) be deducted from the Subsequent Subscription Amount or (ii) be paid in cash by the Company if the purchase of the Subsequent Shares by the Purchaser didn't occur as set forth in Section 2.1(b). The Company hereby acknowledges that time is of the essence with respect to the filing of the Registration Statement and the effectiveness of the Registration Statement and if it fails to perform its obligations under this Section, the Purchaser may suffer tremendous losses. The Company and the Purchaser hereto acknowledge and agree that the sums payable under this Section shall constitute liquidated damages and not penalties. The parties further acknowledge that (i) the amount of loss or damages likely to be incurred is incapable or is difficult to precisely estimate, (ii) the amounts specified in this Section bear a reasonable relationship to, and are not plainly or grossly disproportionate to, the probable loss likely to be incurred in connection with any failure by the Company to obtain or maintain the effectiveness of a Registration Statement, (iii) one of the reasons for the Company and the Purchaser reaching an agreement as to such amounts was the uncertainty and cost of litigation regarding the question of actual damages, and (iv) the Company and the Purchaser are sophisticated business parties and have been represented by sophisticated and able legal counsel and negotiated this Agreement at arm's length.

(e) Use of Proceeds.

(i) The proceeds from the issuance of the Ordinary Shares to the Purchaser at the Closing shall be used for the working capital of the Group Company.

(ii) The Company will not directly or indirectly use the proceeds from the issuance of the Ordinary Shares to the Purchaser, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person for the purpose of funding or facilitating any activities or business of or with any person towards any sales or operations in Cuba, Iran, Libya, Syria, Sudan, the Democratic People's Republic of Korea, Myanmar or any other country sanctioned by OFAC from time to time or for the purpose of funding any operations or financing any investments in, or make any payments to, any Person targeted by or subject to any Sanctions.

(iii) The use of proceeds from the issuance of the Ordinary Shares to the Purchaser will be in compliance with and will not result in the breach of the Sanctions; and the Company further covenants not to engage, directly or indirectly, in any other activities that would result in a violation of Sanctions by any Person, including any Person participating in the transactions contemplated by this Agreement.

(f) Compliance with Laws and Material Contracts. The Company shall, and the Company shall urge each other Group Company and/or relevant Person to:

(i) conduct its respective business as now conducted and as presently proposed to be conducted in compliance with all Material Contracts and all applicable Laws in all material respects on a continuing basis, including without limitation the Laws regarding foreign investments, corporate registration and filing, conduct of the business, foreign exchange (including SAFE Rules and Regulations), environmental protection, intellectual property rights, labor and social welfare, taxation, accounting, and the anti-corruption Laws, in each case, to the extent applicable;

(ii) take reasonable and appropriate steps that in the judgment of such Group Company are prudent to protect the title and ownership in the Company Owned Intellectual Property (including office software), and use such Company Owned Intellectual Property in a legal manner;

(iii) make full and timely payment of statutory contributions, including but not limited to social insurance, and make provisions for such arrear in respect of social insurance at the Closing in the financial statements for the payment of all accrued and unpaid applicable social insurance of each Group Company;

(iv) take all reasonable measures as soon as practicable to resolve any non-compliance or deficiency contained in the Disclosure Schedules, including but not limited to, the completion of the registration of the pledge of equity interests of Beijing Zhong Chuan Shi Xun Technology Limited (北京中传视讯科技有限公司), discharge Song Xuesong from the registration as a dishonest person subject to enforcement action (失信被执行人) and gradually cleaning up loans and receivables (if any) with the related parties and partners in accordance with the regulatory financial requirements;

(v) not, including procuring any Company Affiliate not to, take any Proceeding, directly or indirectly, that would result in a violation of or has violated any anti-corruption Laws;

(vi) conduct the operations at all times in compliance with applicable money laundering Laws;

(vii) provide to the Purchaser any information reasonably necessary for the preparation of income Tax Returns by the Purchaser or its Affiliate(s).

(g) Non-competition.

(i) The Company shall urge each Key Employee to devote his/her full time and attention to the business of the Group Companies and will use his/her commercially reasonable best efforts to develop the Business and work for the interests of the Group Companies and to fulfill his/her non-competition and non-solicitation undertakings during the period of two years from the date that the Key Employee ceases to be a member or employee of any Group Company (the "Non-Compete Period");

(ii) The Company hereby undertakes to the Purchaser that during the Non-Compete Period, it shall urge each Key Employee shall not, and shall cause his/her Affiliates (other than Group Company) not to, (i) induce or attempt to induce directly or indirectly, in his/her own name or on behalf of any other company, enterprise or organization, any employee of any Group Company as at the relevant time to leave the employment of or terminate his/her services with a Group Company, or enter into any employment or services agreement with any Competing Person; or assist or encourage whether by providing advice or information or otherwise, any employee of any Group Company as at the relevant time to leave the employment or terminate his/her service with a Group Company; or advise or recommend whether by providing advice or information or otherwise, any company, enterprise or other organization to hire or induce, or cause or attempt to hire or induce any employee of any Group Company as at the relevant time to leave the employment or terminate his/her service with a Group Company; or (ii) use a business name deceptively similar to a business name owned or used by any Group Company, or establish or otherwise create any enterprise, organization or domain name by using such business name.

(iii) The Company acknowledges that, the obligations of each Key Employee under Section 4.5(g) are substantial to this Agreement. Section 4.5(g) shall be an independent undertaking and not be subject to the Purchaser's performance or failure to perform any of other obligations under this Agreement.

**ARTICLE V.
INDEMNIFICATION**

5.1 Indemnification. Each Party (as "Indemnifying Party") hereby agrees to defend and indemnify the other party and its Affiliates and subsidiaries, and their respective directors, officers, employees, agents and representatives, and the successors and assigns of each of them (collectively, the "Indemnified Parties") and the Indemnifying Party does hereby agree to hold the Indemnified Parties harmless, from and against any and all Claims made, brought or asserted against the Indemnified Parties, or any one of them, and the Indemnifying Party hereby agrees to pay or reimburse the Indemnified Parties for any and all Losses payable by any of the Indemnified Parties to any Person through all negotiations, mediations, arbitrations, trial and appellate levels, as a result of, or arising out of, or relating to: (i) any misrepresentation or breach of any representation or warranty made by the Indemnifying Party in this Agreement, the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby; or (ii) any breach of any covenant, agreement or Obligation of the Indemnifying Party contained in this Agreement, the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby. To the extent that the foregoing undertaking by parties may be unenforceable for any reason, the Indemnifying Party shall make the maximum contribution to the payment and satisfaction of each of the Claims covered hereby, which is permissible under applicable Law. The Indemnifying Party will not be liable to the Indemnified Parties under this indemnity: (i) for any settlement by the Indemnified Parties in connection with any Claim effected without the Indemnifying Party's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; or (ii) to the extent, but only to the extent, that a Claim is attributable to the Indemnified Parties' breach of any of the representations, warranties, covenants or agreements made by the Indemnified Parties in this Agreement or in the other Transaction Documents.

**ARTICLE VI.
MISCELLANEOUS**

6.1 Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement.

6.2 Entire Agreement. The Transaction Documents contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

6.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at or prior to 5:30 p.m. (New York City time) on a Business Day, (b) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile on a day that is not a Business Day or later than 5:30 p.m. (New York City time) on any Business Day, (c) the second (2nd) Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

6.4 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in

the case of an amendment, by the Company and the Purchaser, in the case of a waiver, by the party against whom waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

6.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

6.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. No party hereto may assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company and the Purchaser.

6.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in this Section 6.7.

6.8 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

6.9 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Shares.

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6.10 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

6.11 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

6.12 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

6.13 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Ordinary Share in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock combinations and other similar transactions of the Ordinary Share that occur after the date of this Agreement. The English version of this Agreement, regardless of whether a translation in any other language is or will be made, shall be the only authentic version.

6.14 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

(Signature Pages Follow)

Page 28 of 28

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

COMPANY
LUOKUNG TECHNOLOGY CORP.

By: /s/ Jie Yu
Name: Jie Yu
Title: **Chief Financial Officer**

Address for Notice:
LAB 32, SOHO 3Q, No 9, Guanghua Road,
Chaoyang District, Beijing
People's Republic of China, 100020
Email: yujie@luokung.com

By: /s/ Liu Wei, William
Name: Liu Wei, William
Title: **Executive Director and Co-Chief Executive Officer**

Address for Notice:
Unit 5402, 54/F., Central Plaza, 18 Harbour Road,
Wanchai, Hong Kong.
Fax: (852) 2827 8233
Email: yulin@8137.hk

EX-8.1 3 f20f2018ex8-1_luokungtech.htm LIST OF SUBSIDIARIES AND CONSOLIDATED VARIABLE INTEREST ENTITIES

Exhibit 8.1

List of Subsidiaries of the Company

Name of Entity	Jurisdiction of Incorporation/Organization
LK Technology Ltd.	British Virgin Islands
Topsky Info-tech Holdings Pte Ltd.	Singapore
Superengine Holding Limited	British Virgin Islands
MMB Limited	Hong Kong
Mobile Media (China) Limited	Hong Kong
Zhong Chuan Tian Xia Information and Technology (Beijing) Limited	Beijing, PRC
Zhong Chuan Tian Xia Information and Technology (Shenzhen) Limited	Shenzhen, PRC
Beijing Zhong Chuan Shi Xun Technology Limited (VIE Entity)	Beijing, PRC
Jiangsu Zhong Chuan Rui You Information and Technology Limited (VIE Entity)	Jiangsu, PRC
Huoerguosi Luokuang Information and Technology Limited (VIE Entity)	Huoerguosi, PRC
Shenzhen Jiu Zhou Shi Dai Digital Technology Limited (VIE Entity)	Shenzhen, PRC
Superengine Graphics Software Technology Development (Suzhou) Co., Ltd. (Contractual Control Entity)	Jiangsu, PRC
Anhui Superengine Intelligent Technology co., Ltd (Contractual Control Entity)	Anhui, PRC

EX-11.1 4 f20f2018ex11-1_luokungtech.htm CODE OF BUSINESS CONDUCT AND ETHICS

Exhibit 11.1

LUOKUNG TECHNOLOGY CORP.

CODE OF BUSINESS CONDUCT AND ETHICS

Adopted as of March 16, 2018

Introduction

All employees, officers and directors of Luokung Technology Corp. (the “Company”) are responsible for conducting themselves in compliance with this Code of Business Conduct and Ethics (the “Code”), other policies of the Company and applicable laws, rules and regulations. The Company adopted the Code in order to assist the Company and its employees, officers and directors with the Company’s goals of conducting its business and affairs in accordance with applicable laws, rules and regulations and maintaining the highest standards of ethical conduct, fair dealing and honesty.

The Company also expects that any consultants or other service providers it retains will adhere to the Code. In addition, for purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission (the “Commission”) promulgated thereunder, Sections I through IV of the Code shall constitute the Company’s code of ethics for “Senior Financial Officers” (as defined in Section I below).

I. Compliance and Reporting

Employees, officers and directors should strive to identify and raise potential issues before they lead to problems for the Company and should ask about the application of the Code whenever there is a question as to whether a violation of the Code has occurred or will occur. Any employee or officer who becomes aware of any existing or potential violation of the Code, including matters relating to accounting and internal controls and auditing matters, should promptly notify the appropriate supervisor as well as the Chief Financial Officer with respect to any accounting and internal controls and auditing matters. Should the Chief Executive Officer (CEO) or the Principal Accounting Officer or any director become aware of an existing or potential violation of the Code, he or she should promptly notify the Company’s Chief Financial Officer (CFO, and together with the CEO and the Principal Accounting Officer, the “Senior Financial Officers”). The Company shall take such disciplinary, corrective or preventative action as it deems appropriate to address any existing or potential violation of this Code brought to its attention.

Confidentiality regarding those who make compliance reports and those potentially involved is maintained to the extent possible during a compliance investigation. The Company does not tolerate retribution, retaliation or adverse personnel action of any kind against any person for lawfully reporting a situation of potential noncompliance with the Code, or providing to the Company or any law enforcement or other governmental agency any information or assistance relating to the commission or possible commission of any federal or state offense.

The Senior Financial Officers have a responsibility to create an environment within the Company in which compliance with the Code is treated as a serious obligation and in which violations of the Code are not tolerated. The Senior Financial Officers will establish and, if necessary, modify the procedures by which violations of the Code are to be reported.

II. Conflicts of Interest

All business decisions must be made in the Company’s best interest. A “conflict of interest” arises when an individual’s judgment is or may be influenced by considerations of improper personal gain or benefit to the individual or another person. Even if no actual conflict of interest occurs, situations that create the

appearance of a conflict may damage the Company's public relations or cause other problems damaging to the Company, and, as such, also should be avoided. Conflicts of interest are prohibited as a matter of Company policy, unless they have been approved in advance by the Company.

For example, an employee, officer or director must never use or attempt to use his or her position at the Company to obtain any improper personal benefit for himself or herself, for his or her family members or for any other person, including loans or guarantees of obligations, from any other person or entity. In this regard, service to the Company should never be subordinated to personal gain and advantage. To the extent possible, conflicts of interest always should be avoided. Any employee, officer or director who is aware of a material transaction or relationship that could reasonably be expected to give rise to a conflict of interest should promptly discuss the matter with the Chief Financial Officer, or, at the request of the Chief Financial Officer, the Company's outside legal counsel.

Transactions with outside firms must be conducted within a framework established and controlled by the executive level of the Company. Business dealings with outside firms should not result in unusual gains for those firms or their employees. Unusual gain refers to bribes, product bonuses, special fringe benefits, unusual price breaks, and other windfalls designed to ultimately benefit either the outside firm, its employee, or both. Promotional plans that could be interpreted to involve unusual gain require specific executive-level approval.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of the Company's business dealings. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions involving purchases, contracts, or leases, it is imperative that they disclose to an officer of the Company as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee or relative has an ownership interest in a firm with which the Company does business, but also when an employee or relative receives any kickback, bribe, substantial gift or special consideration from any Company tenant, customer or vendor (for example, a contractor or supplier) or a potential tenant, customer or vendor. Any employee who receives a gift from a tenant, customer or vendor or potential tenant, customer or vendor must advise his or her supervisor immediately. If the supervisor determines that the gift is of a normal and customary nature (e.g., not excessively expensive), the employee may retain the gift. If the gift is determined by the supervisor to be excessive, the employee must return the gift with a brief explanation that it is against the Company's policy for employees to accept gifts of an excessive nature. Employees who do not report the receipt of gifts to their immediate supervisor will be subject to disciplinary action up to and including termination. In addition, employees who solicit gifts will be subject to disciplinary action, up to and including termination.

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In addition, as a result of their close relationships to the Company and its business, the Senior Financial Officers have a special responsibility to:

- refrain, without the approval of the Board of Directors, from transacting business with the Company through any entity in which the officer or a member of his or her immediate family owns all or a controlling interest;
- refrain, without the approval of the Board of Directors, from participating in other employment or serving as a director for other organizations if such activity reasonably could be expected to interfere with the officer's ability to act in the best interests of the Company or reasonably could be expected to require the officer to use proprietary, confidential or non-public information of the Company;
- refuse gifts, favors or hospitality that would influence or appear to influence the recipient to act other than in the best interests of the Company; and
- report to the Audit Committee or to the Board of Directors any existing or potential director positions they hold, including positions on non-profit or charitable organization boards of directors.

III. Public Disclosure

It is the Company's policy that the information in its public communications and disclosures, including its filings with the Commission, be full, fair, accurate, timely and understandable. All employees, officers and directors who are involved in the Company's disclosure process, including the Senior Financial Officers, are responsible for acting in furtherance of this policy. Specifically, these individuals are required to maintain familiarity with the disclosure requirements applicable to the Company and are prohibited from knowingly misrepresenting, omitting or causing others to misrepresent or omit, material facts regarding the Company to others, whether within or outside the Company, including the Company's independent accountants. In addition, any employee, officer or director who has a supervisory role in the Company's disclosure process has an obligation to diligently discharge his or her responsibilities.

The Senior Financial Officers, in particular, must act in good faith and with due care and diligence in connection with the preparation of the Company's public disclosures. The Senior Financial Officers must ensure that the financial statements and reports submitted to the Commission are full, fair, accurate, timely and understandable. The Senior Financial Officers must also promptly report any irregularities or deficiencies in the Company's internal controls for financial reporting to the Audit Committee or the Board of Directors.

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IV. Compliance with Laws, Rules and Regulations

As noted, it is the Company's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each employee, officer and director to adhere to the standards and restrictions imposed by those laws, rules and regulations.

It is both illegal and against Company policy for any employee, officer or director who is aware of material, nonpublic information relating to the Company, any of the Company's customers or clients or any other private or governmental issuer of securities to purchase or sell any securities of those issuers, or recommend that another person purchase, sell or hold the securities of those issuers.

In general, information is "material" if it could affect a person's decision to purchase, sell or hold a company's securities. Material information includes, for example, a company's anticipated earnings, plans to acquire or sell significant assets and changes in senior executives. Employees, officers and directors should try to limit transactions to times when it can reasonably be assumed that all material information about a company has been disclosed. All employees, and officers and directors of the Company in particular, should consult with the Chief Financial Officer, or, at the request of the Chief Financial Officer, the Company's outside legal counsel, regarding the safest times to trade in the Company's securities.

In addition, employees, officers and directors may not disclose material, nonpublic information about the Company or another company to any person (i) inside the Company, unless they need to know the information for legitimate business purposes, or (ii) outside of the Company, unless prior approval is obtained from management in consultation with the Chief Financial Officer, or, at the request of the Chief Financial Officer, the Company's outside legal counsel. Bear in mind that this information belongs to the Company and no person may misappropriate it for anyone's benefit. Providing a "tip" based on material, nonpublic information is unethical and illegal, and is prohibited, even if you do not profit from it. All employees must obtain clearance from the Chief Financial Officer prior to trading in the Company's securities.

Other laws, rules, regulations and Company policies to which employees, officers and directors are subject relate to business practices. For example,

employees, officers and directors may not misrepresent facts, contractual terms or Company policies to a shareholder, service provider or regulator. Even if done inadvertently, you must correct the misrepresentation as soon as possible after consulting with the Chief Financial Officer, or, at the request of the Chief Financial Officer, the Company's outside legal counsel. In addition, employees, officers and directors must adhere to appropriate procedures governing the retention and destruction of the Company's records, consistent with applicable laws, regulations, Company policies and business needs. No person should destroy, alter or falsify any document that may be relevant to a threatened or pending lawsuit or governmental investigation. You should consult with, and follow the instructions of, the Chief Financial Officer in these situations.

All Senior Officers, in particular, have a responsibility to ensure compliance with the applicable rules and regulations of federal, state and local governments, both domestic and foreign, and of appropriate public and private regulatory agencies or organizations. In addition to adhering to established Company policies and procedures, these individuals must take steps to ensure that other employees and officers follow such policies and procedures.

Any employee, officer or director who is uncertain about the legal rules and regulations to which he or she or the Company is subject should consult with the Chief Financial Officer.

V. Employment Practices

In making employment and personnel decisions, the Company employment decisions must be based only on an employee's or applicant's qualifications, demonstrated skills and achievements without regard to race, color, sex, religion, national origin, age, disability, veteran status, citizenship, sexual orientation, gender identity or marital status.

All employees are entitled to be treated with respect and dignity. Management must not tolerate harassment of, or by, any employee in situations involving another employee, shareholder, service provider or business associate. Employees, officers and directors must not engage in conduct that could be construed as sexual harassment, which may include, for example, unwelcome sexual advances, offensive touching, sexually suggestive statements, offensive jokes, requests for sexual favors or other verbal or physical conduct of a sexual nature.

Any person who believes he or she has been harassed in the course of performing his or her employment with the Company should notify the Chief Financial Officer. Company policy prohibits retaliation against any individual who complains of, or reports an instance of, harassment or participates in an investigation of a harassment complaint.

VI. Corporate Opportunities

Employees, officers and directors owe a duty to the Company to advance the Company's legitimate business interests when the opportunity to do so arises. In this regard, employees, officers and directors are prohibited from (i) taking for themselves personally (or directing to a third party) business opportunities that are discovered through the use of Company property, information or position (unless the Company has already been offered the opportunity and rejected it); (ii) using Company property, information or position for improper personal gain; and (iii) competing with the Company.

It may be difficult to decipher whether or not a particular personal benefit is proper, as sometimes both personal and Company benefits may be derived from certain activities. The best course of action in these circumstances is to consult with the Chief Financial Officer, or, at the request of the Chief Financial Officer, the Company's outside legal counsel.

VII. Confidentiality

In carrying out the Company's business, employees, officers and directors may learn confidential or proprietary information about the Company or third parties. Employees, officers and directors must maintain the confidentiality of all information entrusted to them, except when disclosure is authorized or legally mandated. Confidential or proprietary information includes, for example, any nonpublic information concerning the Company, including its business, properties, financial performance, results or prospects, and any nonpublic information provided by a third party with the expectation or contractual agreement that the information will be kept confidential and used solely for the business purpose for which it was conveyed. Employees, officers and directors are required to secure from unauthorized access and public view documents under their control that contain confidential or proprietary information. When such information is discarded, appropriate steps must be taken to ensure proper and complete destruction.

In addition, employees, officers and directors are prohibited from taking confidential or proprietary information with them upon termination of employment with the Company or from using or disclosing such information for any purpose elsewhere, including with a different employer or company. Any confidential or proprietary information must be promptly returned to the Company upon termination of employment or affiliation with the Company.

VIII. Fair Dealing

Company policy is to conduct business fairly through honest business competition and the Company does not seek competitive advantages through unethical or illegal business practices. Each employee, officer and director should endeavor to deal fairly with the Company's shareholders, service providers, competitors and employees. No employee, officer or director should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation or omission of material facts or any other practice involving unfair dealing.

IX. Protection and Proper Use of Company Assets

All employees, officers and directors should protect the Company's assets and ensure their efficient use. It is important to bear in mind that theft, carelessness and waste have a direct impact on the Company's profitability. Thus, all assets of the Company should be used only for legitimate business purposes.

X. Waivers of the Code

The Company may elect to waive certain provisions of the Code on a case-by-case basis. Any employee, officer or director who would like to request a waiver of one or more of the Code's provisions must discuss the matter with the Chief Financial Officer. Waivers for executive officers and directors of the Company only may be granted by the Board of Directors or a committee of the Board.

XI. Specific Written Agreements

To the extent there is any conflict or inconsistency between the provisions of this Code of Business Conduct and Ethics and any specific written agreements with the Company (which agreements are, have been or will be approved by the Company's board of directors), the terms of such written agreements will control the conduct of the parties and such conduct will not be considered to be in conflict with any provisions of this Code of Business Conduct and Ethics.

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xuesong Song, the Chief Executive Officer of Luokung Technology Corp. (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
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 the transition 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 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 24, 2019

By: /s/ Xuesong Song
Xuesong Song
Chief Executive Officer
(principal executive officer)

EX-12.2 6 f20f2018ex12-2_luokung.htm CERTIFICATION

Exhibit 12.2

**Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jie Yu, the Chief Financial Officer of Luokung Technology Corp. (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
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 the transition 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 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 24, 2019

By: /s/ Jie Yu
Jie Yu
Chief Financial Officer
(principal financial officer and
principal accounting officer)

EX-13.1 7 f20f2018ex13-1_luokung.htm CERTIFICATION

Exhibit 13.1

**Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 20-F of Luokung Technology Corp. (the "Company") for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xuesong Song, Chairman and 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 24, 2019

By: /s/ Xuesong Song
Xuesong Song
Chief Executive Officer
(principal executive officer)

EX-13.2 8 f20f2018ex13-2_luokung.htm CERTIFICATION

Exhibit 13.2

**Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 20-F of Luokung Technology Corp. (the "Company") for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jie Yu, 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 24, 2019

By: /s/ Jie Yu
Jie Yu
Chief Financial Officer
(principal financial officer and
principal accounting officer)

MOORE STEPHENS

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