

**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, 2019

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)

B9-8, Block B, SOHO Phase II, No. 9, Guanghua Road, Chaoyang District,
Beijing

British Virgin Islands
(Jurisdiction of incorporation or organization)

People's Republic of China, 100020
(Address of principal executive offices)

Miss. Qinyu Zhao B9-8, Block B, SOHO Phase II, No. 9, Guanghua Road, Chaoyang District, Beijing
People's Republic of China 100020

Tel: (86) 10-65065217 (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. 209,081,533 Ordinary Shares and 22,794,872 Preferred Shares outstanding as of December 31, 2019.

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 2019", are to our fiscal year ended on December 31, of that year.

Note Regarding Reliance on SEC Order

On April 29, 2020, the Company filed a Current Report on Form 6-K (the "Form 6-K") to indicate its intention to rely on the order issued by the United States Securities and Exchange Commission (the "SEC") on March 25, 2020 (the "SEC Order") to delay the filing of its Annual Report on Form 20-F because the Company's operations and business were experiencing disruption due to the unprecedented conditions surrounding the COVID-19 pandemic. Consistent with the Company's statements in the Form 6-K, the Company was unable to file its Annual Report on Form 20-F on or before April 30, 2020 because the Company followed the recommendations of local health authorities to minimize exposure risk for its employees, including the temporary closures of our offices, and having many employees work remotely. There was a country wide lockdown in China from January 23, 2020 to April 8, 2020. As a result of the above-mentioned factors, the Company's books and records were not easily accessible, resulting in delay in preparation, compilation and completion of our annual financial statements for the 2019 fiscal year. On June 15, 2020, the Company filed a "Notification of Late Filing" on Form 12b-25 pursuant to Rule 12b-25 of the Exchange Act to further delay the filing of the Company's Annual Report on Form 20-F for the year ended December 31, 2019.

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 Wirelesinfo 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.

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The selected financial data for the fiscal years ended December 31, 2019, 2018 and 2017 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,		
	2019	2018	2017
Revenues	\$ 18,779,172	\$ 21,042,363	\$ 26,082,417
Less: Cost of revenues	14,976,016	6,938,063	5,547,779
Less: Operating expenses:			
Selling and marketing	3,764,792	14,695,165	23,908,733
General and administrative	22,844,383	6,750,417	2,451,249
Research and development	8,710,746	3,478,570	1,046,198
Total operating expenses	35,319,921	24,924,152	27,406,180
Loss from operations	(31,516,765)	(10,819,852)	(6,871,542)
Total other income (expense), net	(505,438)	(1,033,675)	61,088
Loss before income taxes	(32,022,203)	(11,853,527)	(6,810,454)
Income tax benefit (expense)	70,992	(74,009)	-
Net loss	\$ (31,951,211)	\$ (11,927,536)	\$ (6,810,454)
Less: Net loss attributable to non-controlling interest	438,033	-	-
Other comprehensive income:			
Foreign currency translation adjustment	541,489	447,246	90,671
Total comprehensive loss	\$ (31,409,722)	\$ (11,480,290)	\$ (6,719,783)
Net loss per ordinary share, basic and diluted	\$ (0.16)	\$ (0.16)	\$ (6,810,454)
Weighted average number of ordinary shares outstanding, basic and diluted	201,005,995	72,919,624	1

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

	As of December 31,	
	2019	2018
Cash	3,695,687	1,192,218
Accounts receivable, net of allowance for doubtful accounts	10,004,951	22,661,594
Amounts due from related parties	200,682	4,935,698
Property and equipment, net	588,881	898,007
Other receivables, net	27,071,241	2,749,000
Intangible assets	47,299,120	52,763,998
Other receivables (non-current)	16,636,403	150,286
Goodwill	11,728,600	11,728,600
TOTAL ASSETS	117,896,169	97,079,401
Accounts payable	4,314,162	758,386
Accrued liabilities and other payables	23,697,143	28,239,477
Accrued liabilities and other payables(non-current)	32,938,926	244,755
Total liabilities	63,923,166	33,978,642
Total Shareholders' Equity	54,406,158	63,100,759

B. CAPITALIZATION AND INDEBTEDNESS.

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS.

Not applicable.

D. RISK FACTORS.

An investment in our 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 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 ordinary shares.

Our business activities for fiscal 2020 are expected to be adversely affected by the COVID-19 pandemic.

In December 2019, a novel strain of coronavirus causing respiratory illness, or COVID-19, has surfaced in Wuhan, China, spreading at a fast rate in January and February of 2020, and confirmed cases were also reported in other parts of the world. In reaction to this outbreak, an increasing number of countries imposed travel suspensions to and from China following the World Health Organization's "public health emergency of international concern" (PHEIC) announcement on January 30, 2020. Since this outbreak, domestic business activities in China have been disrupted by a series of emergency quarantine measures taken by the government.

Emergency quarantine measures and travel restrictions caused business disruptions in many sectors across China, which seriously slowed down our business operation for the first quarter of 2020. Our sales have been and will continue to be adversely affected as a result of these measures. The Company rolled out active precautionary measures and has gradually resumed work since early March to reduce the impact on the Company's production and operation.

The extent to which COVID-19 negatively impacts our business is highly uncertain and cannot be accurately predicted. We believe that the coronavirus outbreak and the measures taken to control it may have a significant negative impact on economic activities in China. Our revenues are generated in China. The magnitude of this negative effect on the continuity of our business operation in China remains uncertain. These uncertainties impede our ability to conduct our daily operations and could materially and adversely affect our business, financial condition and results of operations. We expect our full year 2020 results of operations to be adversely affected.

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.

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.

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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 be subject to costly litigation and subject to costly litigation of 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.

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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, 2019, 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, 2019. 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.

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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

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.

On February 15, 2019, Beijing iQIYI Technology Co., Ltd. filed lawsuits with Beijing Internet Court alleging Shenzhen Jiu Zhou Shi Dai Digital and Technology Limited and Beijing Zhong Chuan Shi Xun Technology Limited are in infringement of exclusive rights to communication through information network of certain works, performances, audio and video products and claiming the economic loss amounts to approximately \$562,000 (RMB 3,920,000).

On December 14, 2019, Beijing Internet Court arranged a trial; Beijing iQIYI and the Company are negotiating a potential settlement while expecting a verdict from the court. According to legal counsel, it is probable that the settlement will amount to approximately \$93,000 (RMB650,000).

Seasonality and fluctuations in our customers' spending cycles 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, 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 18.25% 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 71.89% 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 continue being dependent 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, 2019, 2018 and 2017, our five largest customers accounted for 69.3%, 94.4% and 99.8% 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, 2019, 2018 and 2017, our outstanding accounts receivable before impairment were \$23.8 million \$25.0 million and \$10.4 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 largest outstanding accounts receivable balance accounted for 31.8%, 24.4% and 48.5% of our total accounts receivable balance as of December 31, 2019, 2018 and 2017, 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.

Growth of China's economy has been uneven, both geographically and among various sectors of the economy, and the growth of the Chinese economy has slowed down in recent years. Some of the government measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. Any stimulus measures designed to boost the Chinese economy may contribute to higher inflation, which could adversely affect our results of operations and financial condition. For example, certain operating costs and expenses, such as employee compensation and office operating expenses, may increase as a result of higher inflation.

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 have 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 from the transfer of our shares 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.

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.

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.

On February 15, 2019, Beijing iQIYI Technology Co., Ltd. filed lawsuits with Beijing Internet Court alleging Shenzhen Jiu Zhou Shi Dai Digital and Technology Limited and Beijing Zhong Chuan Shi Xun Technology Limited are in infringement of exclusive rights to communication through information network of certain works, performances, audio and video products and claiming the economic loss amounts to approximately \$562,000 (RMB 3,920,000).

On December 14, 2019, Beijing Internet Court arranged a trial; Beijing iQIYI and the Company are negotiating a potential settlement while expecting a verdict from the court. According to legal counsel, it is probable that the settlement will amount to approximately \$93,000 (RMB650,000).

If we were required to obtain the prior approval of the China Securities Regulatory Commission, or CSRC, of the listing and trading of our ordinary shares 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 ordinary shares 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 Ordinary Shares

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

There is a limited public market for our ordinary shares. We cannot assure you that there will be an active trading market for our ordinary shares. 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 ordinary shares may be volatile. The price of our 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

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 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 if 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 Company, 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, or 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's 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 April 13, 2020, we received a letter from NASDAQ indicating that for the last 30 consecutive business days, the closing bid price of our ordinary shares 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. Under Nasdaq Listing Rule 5810(c)(3)(A), the Company has been granted a 180 calendar day grace period, or until October 12, 2020, to regain compliance with the minimum bid price requirement. The continued listing standard will be met if the Company evidences a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days during the 180 calendar day grace period. In order for Nasdaq to consider granting the Company additional time beyond October 12, 2020, the Company would be required, among other things, to meet the continued listing requirement for market value of publicly held shares as well as all other standards for initial listing on Nasdaq, with the exception of the minimum bid price requirement. In the event the Company does not regain compliance with the \$1.00 bid price requirement by October 12, 2020, eligibility for Nasdaq's consideration of a second 180 day grace period would be determined on the Company's compliance with the above referenced criteria on October 12, 2020. There can be no assurance that the Company will be able to regain compliance or that Nasdaq will grant the Company a further extension of time to regain compliance, if necessary. 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 Depositary 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 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".

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, 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.

On August 28, 2019, the Company entered into a Share Purchase Agreement, pursuant to which the Company will acquire 100% of the equity interests of Saleya from Saleya's shareholders for an aggregate purchase price of RMB 836 million (approximately equivalent to \$120 million), which includes approximately RMB 709 million (approximately equivalent to \$101 million) in cash and the remaining RMB 127 million (approximately equivalent to \$18 million) will be paid by issuance of the Company's common stock at the conversion rate of \$7 per share. In connection with its acquisition of Saleya, as of December 31, 2019 and on January 21, 2020, the Company made a partial cash payment of \$14,334,451 and \$18,539,343, respectively, and on February 5, 2020 it issued 2,708,498 common shares to certain shareholders of Saleya in accordance with Share Purchase Agreement. On February 24, 2020, the Company reached an agreement with two of the Saleya's shareholders to issue 1,500,310 of Series B preferred shares instead of a cash payment of \$6,182,000 (RMB43,128,000) as a change of consideration for the acquisition of Saleya,

On November 13, 2019, the Company entered into a Share Subscription Agreement with Geely Technology Group Co., Ltd. ("Geely Technology") to issue 21,794,872 series A preferred shares at a purchase price of \$1.95 per share for an aggregate purchase price of \$42,500,000. Per the terms of the agreement and in accordance with ASC Topic 480-10, the Company recognized \$32,910,257 as loan. The Company received \$21,743,857 as of December 31, 2019 and the remaining amount was received in January 2020. Geely Technology may request the repayment after November of 2020, under such circumstance, the Company shall pay it back in January of 2021.

On November 13, 2019, the Company entered into a Securities Purchase Agreement with Acuitas Capital, LLC. and a Warrant to purchase the Company's ordinary shares pursuant to which the Purchaser subscribed to purchase up to \$100,000,000 of units with up to a \$10,000,000 subscription at each closing, with each Unit consisting of one ordinary share and one warrant, where each whole warrant entitles the holder to purchase one ordinary share. The Securities Purchase Agreement contemplates periodic closings of \$10,000,000. The first closing has not yet occurred.

On June 17, 2020, the Company entered into preferred stock subscription agreement with Daci Haojin Foundation Limited to issue 15,000,000 preferred shares for \$45,000,000. Pursuant to the preferred stock subscription agreement the first closing will not occur until July 2020 and such closing will be for \$13,500,000. Subsequent closings will occur on August 31 and September 30, 2020 for \$13,500,000 and \$18,000,000, respectively.

Corporate Information

Our principal executive offices are located at B9-8, Block B, SOHO Phase II, 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.

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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).

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 recommended 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.

In the first half of 2019, we gradually terminated the Wi-Fi provision for express trains because the increase in numbers of High-speed trains led to the shrinkage of the passenger trips on express trains. At the beginning of 2019, we established a Luokung Location-based services Data Marketing Platform ("LLDMP"), Luokung Location-based services ("LBS") Data Marketing Platform, that combines our LBS strength with existing advertising tools. Our LBS capability including indoor floor maps, location information, and point of interest for more than twenty thousand commercial buildings covers high speed train stations, shopping malls, airports and so on.

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. We believe 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 can 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.

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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.

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 products, 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 their 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 can 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, and 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 ensure 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

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

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 V1.0	Independent research and development	2011SRBJ4190	Sep 28, 2011	50 years
9.	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

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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 Number	Valid Period	Registration 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	箩筐-图形	41	2016.06.14-2026.06.13	16580228
49	箩筐-图形	42	2016.06.14-2026.06.13	16580227
50	箩筐-文字	42	2016.09.28-2026.09.27	16580249
51	箩筐-文字	41	2016.06.14-2026.06.13	16580250
52	箩筐-文字	35	2016.09.21-2026.09.20	16580252
53	箩筐-文字	9	2016.06.14-2026.06.13	16580253

No	Trademark	Classification Number	Valid Period	Registration Number
54	箩筐-图形	38	2016.06.14-2026.06.13	16580229
55	箩筐-图形	35	2016.06.14-2026.06.13	16580230
56	箩筐-图形	9	2016.06.14-2026.06.13	16580231
57	微时光-文字	42	2016.09.28-2026.09.27	16580247
58	传游录屏-文字	9	2016.06.14-2026.06.13	16782144
59	传游录屏-文字	35	2016.06.14-2026.06.13	16782143
60	传游录屏-文字	38	2016.06.14-2026.06.13	16782142
61	传游录屏-文字	41	2016.06.14-2026.06.13	16782141
62	传游录屏-文字	42	2016.06.14-2026.06.13	16782140
63	录游器-文字	9	2016.06.14-2026.06.13	16782135
64	录游器-文字	35	2016.06.14-2026.06.13	16782136
65	录游器-文字	38	2016.06.14-2026.06.13	16782137
66	录游器-文字	41	2016.06.14-2026.06.13	16782138
67	录游器-文字	42	2016.06.14-2026.06.13	16782139
68	畅联TV-文字	41	2016.01.21-2026.01.20	15792467
69	畅联TV-文字	38	2016.01.21-2026.01.20	15792468
70	SuperEngine	9	2016.01.21-2026.01.20	8125722
71	SuperEngine	42	2016.01.21-2026.01.20	8125728
72	超擎	9/42	2016.01.21-2026.01.20	16473205
73	SUPERENGINE	9/42	2016.01.21-2026.01.20	16473185
74	WhooCine-文字	9	2019.09.14-2029.09.13	36049237
75	WhooCine-文字	35	2019.09.07-2029.09.06	36071274
76	WhooCine-文字	38	2019.09.14-2029.09.13	36059065
77	WhooCine-文字	41	2019.09.14-2029.09.13	36046824
78	WhooCine-文字	42	2019.09.07-2029.09.06	36059525
79	速映-文字	9	2019.09.14-2029.09.13	36070079
80	速映-文字	35	2019.09.14-2029.09.13	36064784
81	速映-文字	38	2019.09.14-2029.09.13	36062805
82	速映-文字	41	2019.09.14-2029.09.13	36054899
83	速映-文字	42	2019.09.14-2029.09.13	36047495

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

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 allow one person to talk to another, send messages from one person to another, and 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 for \$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 agreed on the settlement amount of approximately \$502,000 (RMB3,500,000).

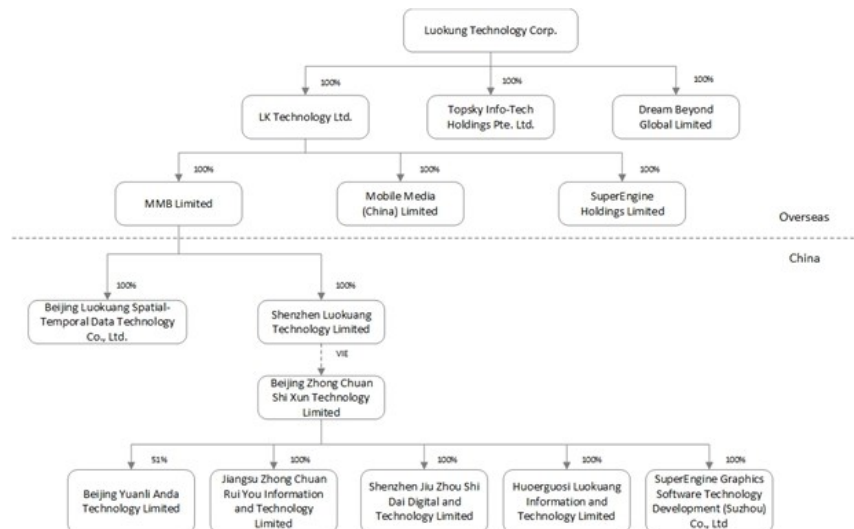
Lawsuit with Beijing iQIYI Technology Co., Ltd.

On February 15, 2019, Beijing iQIYI Technology Co., Ltd. filed lawsuits with Beijing Internet Court alleging Shenzhen Jiu Zhou Shi Dai Digital and Technology Limited and Beijing Zhong Chuan Shi Xun Technology Limited are in infringement of exclusive rights to communication through an information network of certain works, performances, audio and video products and claiming the economic loss amounts to approximately \$562,000 (RMB 3,920,000).

On December 14, 2019, Beijing Internet Court arranged a trial; Beijing iQIYI and the Company are negotiating a potential settlement while expecting a verdict from the court. According to legal counsel, it is probable that the settlement will amount to approximately \$93,000 (RMB650,000).

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, 2019.



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 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 Shenzhen Luokuang Technology Limited previously known as 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 the profit of Zhong Chuan Shi Xun. In addition, Shenzhen Luokuang Technology Limited has entered into certain agreements with those management members or founders, including an equity interest pledge agreement of the equity interests held by those management members or founders and an 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 VIEs, 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 as headquarter located at B9-5, B9-6 and B9-8, SOHO 3Q, No 9, Guanghua Road, Chaoyang District, Beijing, which covers a floor space of 1013 square meters. These leases expire on August 15, 2021 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 contained in this report will in fact occur. You should not place undue reliance on the forward-looking statements contained in this report.

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.

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.

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Results of operations for the fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018.

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 on 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. We also derive our revenue from the provision of user acquisition services to our advertisers on the strength of the LBS services we offer; the customers pay us based on performance, as measured by CPI (Cost Per Install), CPM (Cost Per Mile), and CPC (Cost Per Click). 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 a 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 payments 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 December 31,		2019 to 2018 % Change
	2019	2018	
	(dollars in thousands)		
Revenues			
Advertising	\$ 17,806	\$ 20,703	(14.0)%
License	-	203	(100.0)%
Technology Services	973	136	615.4%
Total revenues	\$ 18,779	\$ 21,042	(10.8)%
Advertising	94.8%	98.3%	
License	-	1.0%	
Technology Services	5.2%	0.7%	
Total	100.0%	100.0%	

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For the year ended December 31, 2019, we had revenue of \$18,779,172, as compared to revenue of \$21,042,363 for the year ended December 31, 2018, a decrease of \$2,263,191, or 10.8%, which was primarily due to the termination of the Wi-Fi provision for express trains as the increase in numbers of High-speed trains led to the shrinkage of the passenger trips on express trains. From the beginning of 2019, we started generating our revenue through the Luokung Location-based services Data Marketing Platform (“LLDMP”).

Cost of revenue

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

	2019		(dollars in thousands)		2018	
	Amount	% of cost of revenue	% of revenue	Amount	% of cost of revenue	% of revenue
Traffic acquisition costs	\$ 13,616	90.9%	72.5%	\$ -	-	-
Wi-Fi equipment installation fees	608	4.1%	3.2%	1,884	27.2%	9.0%
Depreciation	240	1.6%	1.3%	2,807	40.4%	13.3%
Spare parts	32	0.2%	0.2%	1,006	14.5%	4.8%
Amortization	-	-	-	414	6.0%	2.0%
Resource cost	-	-	-	557	8.0%	2.6%
Others	480	3.2%	2.5%	270	3.9%	1.3%
Total cost of revenue	\$ 14,976	100.0%	79.7%	\$ 6,938	100.0%	33.0%

Cost of revenue for the year ended December 31, 2019 was \$14,976,016, representing an increase of \$8,037,953 or 115.9% as compared to \$6,938,063 for the year ended December 31, 2018. The increase was primarily attributable to the increase of traffic acquisition costs which we acquired to support the LLDMP. Our traffic acquisition costs may vary due to a number of factors, including the scale, targeted audience and the geographic location of traffic. For the year 2018, the costs of revenues primarily consist of depreciation, labor cost, Wi-Fi equipment installation fees, data charges, annual payments to local railway bureaus, and other overhead costs.

Selling and marketing expense

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

Selling expense totaled \$3,764,792 for the year ended December 31, 2019, as compared to \$14,695,165 for the year ended December 31, 2018, a decrease of \$10,930,373 or 74.4%. The decrease was primarily attributable to a decrease in promotional and marketing activities of approximately \$12,263,000, which was due to the decrease in promotional and marketing activities conducted by the Company to promote the Luokuang APP as a result of the termination of the Wi-Fi provision on express trains, offset by an increase in the salaries and benefits for the sales and marketing personnel of approximately \$1,241,000.

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 \$22,844,383 for the year ended December 31, 2019, as compared to \$6,750,417 for the year ended December 31, 2018, an increase of \$16,093,966 or 238.4%. The increase was primarily attributable to an increase in consulting fees of approximately \$5,944,000, which is mainly related to the completion of the AEA transaction and an increase of impairment loss of approximately \$8,696,000 including an increase in allowance for doubtful receivables of approximately \$10,223,000, offset by a decrease in bad debts written off of approximately \$869,000, a decrease in impairment loss over the intangible assets of approximately \$724,000 and a decrease in impairment loss over the property, plant and equipment of approximately \$108,000.

Research and development expenses.

Research and development expenses primarily consist of amortization of the intangible assets, and salaries and benefits for research and development personnel.

Research and development expenses totaled \$8,710,746 for the year ended December 31, 2019, as compared to \$3,478,570 for the year ended December 31, 2018, an increase of \$5,232,176 or 150.4%. The increase was primarily attributable to an increase in the amortization of the intangible assets of approximately \$3,648,000, which was recognized as a result of the acquisition of Super Engine Holdings Limited in accordance to Purchase Price Allocation and an increase in salaries and benefits for the sales and research and development personnel of approximately \$1,180,000.

Loss from operations

As a result of the factors described above, for the year ended December 31, 2019, loss from operations amounted to \$31,516,765, as compared to loss from operations of \$10,819,852 for the year ended December 31, 2018, an increase of \$20,696,913, or 191.3%.

Other income/expense

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

For the year ended December 31, 2019, other expense, net, amounted to \$505,438 as compared to other expense, net, of \$1,033,675 for the year ended December 31, 2018, a decrease of \$528,237, or 51.1%, which was primarily attributable to a decrease in foreign currency transaction loss of approximately \$506,000 and an increase in other income of approximately \$44,000, offset by an increase in interest expenses of approximately \$22,000.

Income tax

We had income tax benefit of \$70,992 for the year ended 2019 and income tax expense of \$74,009 for the year ended 2018, 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 \$31,951,211 for the year ended December 31, 2019, compared to net loss of \$11,927,536 for the year ended December 31, 2018, an increase of \$20,023,675 or 167.9%.

Net loss attributable to owners of the Company

The net loss attributable to owners of the Company was \$31,513,178, or \$0.16 per ordinary share (basic and diluted), for the year ended December 31, 2019, compared to net loss attributable to owners of the Company of \$11,927,536, or \$0.16 per ordinary share (basic and diluted), for the year ended December 31, 2018, a change of \$19,585,642 or 164.2%.

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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 \$541,489 for the year ended December 31, 2019, as compared to a foreign currency translation gain of \$447,246 for the year ended December 31, 2018. 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, 2019 of \$31,409,722, compared to comprehensive loss of \$11,480,290 for the year ended December 31, 2018.

Comparison of results of operations for the year ended December 31, 2018 and 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 a 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.

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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 payments 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 December 31,		2018 to 2017 % Change
	2018	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%	
LicenseSee	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 decrease 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.

Cost of revenue

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

	Year Ended December 31,					
	2018			2017		
	(dollars in thousands)					
	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	<u>\$ 6,938</u>	<u>100.0%</u>	<u>33.0%</u>	<u>\$ 5,548</u>	<u>100.0%</u>	<u>21.3%</u>

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.

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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 decided 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%.

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Other income/expense

Other income/expense mainly includes 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 and \$0 for the years ended 2018 and 2017, respectively.

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%.

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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.

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

The Company recognizes revenue in accordance with ASC Topic 606, "Revenue from Contracts with Customers"

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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 on 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. We also derive our revenue from the provision of user acquisition services to our advertisers on the strength of the LBS services we offer; the customers pay us based on performance, as measured by CPI (Cost Per Install), CPM (Cost Per Mile), and CPC (Cost Per Click). 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 a 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 a 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 payments 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.

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 by obtaining 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, 2019 and 2018, the Company assessed the impairment of its long-lived assets and identified impairment indications. For intangible assets, the impairment loss was \$nil and \$724,437 for the years ended 2019 and 2018, respectively, as the Company was not going to use a software system that was purchased in 2014 and written off in 2018. For property plant and equipment, the impairment loss was \$95,471 and \$1,228,362 for the years ended 2019 and 2018, respectively.

Impairment of goodwill

The Company assesses goodwill 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 2019, the Company performed a qualitative assessment for goodwill and evaluated all relevant factors, including but not limited to macroeconomic conditions, industry and market conditions, and financial performance. The Company concluded that it is necessary to perform a quantitative assessment. The Company completed step one of the quantitative goodwill impairment assessment based on the discounted future cash flows that the reporting units are expected to generate and determined after evaluating the results, events and circumstances, that the fair values of the reporting units exceeded their carrying values. Therefore, step two is not required and no impairment loss on goodwill is required for the year ended December 31, 2019.

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.

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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, and net operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years to these items. 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 positions 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, 2019, 2018 and 2017, 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.

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Recent accounting pronouncements

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. In November 2019, the FASB issued ASU 2019-10, Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, finalizes effective date delays for private companies, not-for-profit organizations, and certain smaller reporting companies applying the credit losses, leases, and hedging standards. The effective date for SEC filers, excluding smaller reporting companies as defined by the SEC, remains as fiscal years beginning after December 15, 2019. The Company does not expect a significant difference in the amount of impairment losses to be recognized when using the expected credit loss model in its consolidated financial statements.

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

In August 2018, the FASB issued ASU 2018-13, "Changes to the Disclosure Requirements for Fair Value Measurement." This standard eliminates the current requirement to disclose the amount or reason for transfers between level 1 and level 2 of the fair value hierarchy and the requirement to disclose the valuation methodology for level 3 fair value measurements. The standard includes additional disclosure requirements for level 3 fair value measurements, including the requirement to disclose the changes in unrealized gains and losses in other comprehensive income during the period and permits the disclosure of other relevant quantitative information for certain unobservable inputs. The new guidance is effective for interim and annual periods beginning after December 15, 2019. The Company does not anticipate that the adoption of the new standard will have a material effect on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Internal-Use Software – Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement." This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement service contract with the guidance to capitalize implementation costs of internal use software. The ASU also requires that the costs for implementation activities during the application development phase be capitalized in a hosting arrangement service contract, and costs during the preliminary and post implementation phase are expensed. The new guidance is

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 have relied on cash flow provided by operations and financing to supplement our working capital. At December 31, 2019 and 2018, we had cash balances of approximately \$3,695,687 and \$1,192,218, 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, 2018 to December 31, 2019:

	December 31, 2019	December 31, 2018	December 31, 2018 to December 31, 2019	
			Change	Percentage Change
Working capital deficit:				
Total current assets	\$ 40,972,561	\$ 31,538,510	\$ 9,434,051	29.9%
Total current liabilities	30,687,759	33,733,887	(3,046,128)	(9.0)%
Working capital surplus (deficit):	\$ 10,284,802	\$ (2,195,377)	\$ 12,480,179	(568.5)%

Our working capital increased by \$12,480,179 to a working capital of \$10,284,802 at December 31, 2019 from working capital deficit of \$2,195,377 at December 31, 2018. This increase in working capital is primarily attributable to an increase in other receivables of approximately \$24,322,000, which was mainly due to receivable from Geely Technology for the subscription of preferred shares, a decrease in amounts due to related party of approximately \$3,201,000, a decrease in accrued liabilities and other payables of approximately \$4,542,000 and a decrease in tax payable of approximately \$71,000, offset by a decrease in accounts receivable of approximately \$12,657,000, a decrease in amounts due from related party of approximately \$4,735,000, an increase in accounts payable of approximately \$3,556,000, an increase in deferred revenue of approximately \$781,000 and an increase on lease liabilities of approximately \$432,000.

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. On June 17, 2020, the Company entered into preferred stock subscription agreement with Daci Haojin Foundation Limited to issue 15,000,000 preferred shares for \$45,000,000.

Cash flows for the year ended December 31, 2019 compared to the year ended December 31, 2018

The following summarizes the key components of our cash flows for the years ended December 31, 2019 and 2018:

	Year Ended December 31,	
	2019	2018
Net cash used in operating activities	\$ (18,263,544)	\$ (6,924,876)
Net cash (used in) provided by investing activities	(14,626,876)	1,184,468
Net cash provided by financing activities	35,440,253	6,874,994
Effect of foreign exchange rate changes	(46,364)	(14,747)
Net increase in cash	\$ 2,503,469	\$ 1,119,839

Net cash flow used in operating activities was \$18,263,544 for the year ended December 31, 2019 as compared to net cash flow used in operating activities of \$6,924,876 for the year ended December 31, 2018, an increase of \$11,338,668.

Net cash flow used in operating activities for the year ended December 31, 2019 primarily reflected our net loss of approximately \$31,951,000, and the add-back of non-cash items, mainly consisting of depreciation and amortization of approximately \$5,852,000, allowance for doubtful receivables of approximately \$12,318,000, impairment of PPE of approximately \$95,000, exchange difference of approximately \$506,000, loss on disposal of property and equipment of approximately \$46,000, write off of other payable of approximately \$79,000, amortization of right-of-use assets of approximately \$625,000 and changes in operating assets and liabilities primarily consisting of an increase in other receivables and prepayment of approximately \$4,699,000, a decrease in accrued liabilities and other payables of approximately \$24,057,000, a decrease in lease liability of approximately \$567,000, offset by a decrease in accounts receivable of approximately \$420,000, an increase in deferred revenue of approximately \$811,000 and an increase in accounts payable of approximately \$22,486,000.

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 investing activities was \$14,626,876 for the year ended December 31, 2019 as compared to net cash flow provided by investing activities of \$1,184,468 for the year ended December 31, 2018. During the year ended December 31, 2019, we made partial payment for the acquisition of Saleya Holdings Limited ("Saleya") as disclosed in the Form 6K filed on September 13, 2019 of approximately \$14,496,000, and payment for the purchase of property, plant and equipment of approximately \$131,000. 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 return of deposits of approximately \$604,000 and cash received from acquisition subsidiaries of approximately \$613,000.

Net cash flow provided by financing activities was \$35,440,253 for the year ended December 31, 2019 as compared to net cash flow provided by financing activities of \$6,874,994 for the year ended December 31, 2018. During the year ended December 31, 2019, we received advances from related parties of approximately

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

The discussions of our research and development activities are 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”. In the years ended December 31, 2019, 2018 and 2017, we spent \$8,710,746, \$3,478,570 and \$1,046,198, 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, including “triple play” services (the convergence of telecom, broadcasting and Internet networks), ecommerce, and e-government and statistics systems. Furthermore, the government plans to invest in R&D of the “Internet of things” and cloud computing, and develop digital and virtual technologies.

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, 2019 (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	\$ 4,314	\$ 4,314	\$ -	\$ -	\$ -
Accrued liabilities and other payables	53,318	20,379	32,939	-	-
Acquisition of Saleya	87,378	18,539	68,839	-	-
Investment in Botbrain AI Limited	6,924	-	6,924	-	-
Lease liability	728	432	296	-	-
Total	\$ 152,662	\$ 43,664	\$ 108,998	\$ -	\$ -

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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	51	Chief Executive Officer, Chairman and Director
Dongpu Zhang	51	President
Baomin Li	50	Chief Technical Officer
Jie Yu	35	Chief Financial Officer
Kegang Peng	47	Vice President and Director
Dennis Galgano (1)(2)	71	Director (Independent)
David Wei Tang (1)(2)	54	Director (Independent)
Jin Meng Bryan Yap (1)(3)	56	Director (Independent)
Zhihao Xu (3)	43	Director (Independent)

(1) Member of the Audit Committee.

(2) Member of the Compensation 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.

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.

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.

Mr. David Wei Tang was appointed as a director of the Company on December 14, 2019, prior to joining our Company, Mr. Tang served as President of Huakang Financial Holdings, a Chinese multi-disciplinary financial holdings group with subsidiaries in investments, insurance, wealth management and financial technology. From 2008 to 2010 and from 2012 to 2013, Mr. Tang served as Vice President, Chief Financial Officer and Chief Strategy Officer of Vimicro Corporation, a NASDAQ-listed company (NASDAQ: VIMC). Prior to that, from 2006 to 2008 he served as the Chief Financial Officer of Fanhua Inc., formerly known as "CNinsure Inc.", a NASDAQ-listed company (NASDAQ: FANH), from 2003 to 2004, he served as the Chief Financial Officer of IRICO Group, a Hong Kong Stock Exchange-listed company (HKSE: 438) and in 2000, he served as the Chief Financial Officer of Chinasoft International, a Hong Kong Stock Exchange-listed company (HKSE: 354). Prior to those positions, he worked as an equity research analyst at Merrill Lynch & Co. in New York. Mr. Tang also serves as Chair of Audit Committee of HXD. Mr. Tang received a master's degree in business administration from the Stern School of Business, New York University.

Mr. Jin Meng Bryan Yap was appointed as a director of the Company on December 14, 2019, Mr. Yap has extensive experience in investment banking, financial and business consulting, financial structuring, capital raising, portfolio optimization and balance sheet restructuring. He is currently the CEO and Managing Director of Daun Consulting Singapore Pte Ltd, a single family office focusing on consulting and selective investments. He is also currently serving as the Honorary Treasurer of the ACI (Financial Markets Association) – Singapore since 2001.

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 Technology, 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, 2019, we paid an aggregate of approximately \$517,871 in cash compensation to our executive officers and 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.

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, David Wei Tang, Jin Meng Bryan Yap 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, David Wei Tang, Jin Meng Bryan Yap 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, David Wei Tang, and Jin Meng Bryan Yap. 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;

- 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 David Wei Tang, with Mr. Tang 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 Jin Meng Bryan Yap and Zhihao Xu, with Mr. Yap 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.

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 legal 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.

On February 1, 2019, the Company entered into an Employment Agreement (the "Li Agreement") with Mr. Baomin Li, to serve as the Chief Technology Officer of the Company for a four-year term, subject to renewal. Under the terms of the Li Agreement, Mr. Li will receive an annual salary of RMB2,000,000, and will be eligible for an annual cash bonus in the Board's sole discretion.

D. EMPLOYEES.

As of December 31, 2019 and 2018, we had a total of 182 and 111 full-time employees, including 90 and 51 in research and development, 19 and 17 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, 2019, 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, 2019. 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, 2019 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, B9-8, Block B, SOHO Phase II, No. 9, Guanghua Road, Chaoyang District, Beijing, People's Republic of China.

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Percentage ownership of the ordinary shares in the following table is based on 209,081,533 ordinary shares outstanding on December 31, 2019.

	<u>Number of shares</u>	<u>Percent of class</u>
<i>Directors and named executive officers</i>		
Xuesong Song, Chairman, Chief Executive Officer and Director (1)	38,156,430	18.25%
Kegang Peng, Vice President and Director (2)	17,231,955	8.24%
Dennis Galgano, Director	75,796	*%
Zhihao Xu, Director (3)	6,962,832	3.33%
Dongpu Zhang, President (4)	2,321,792	1.11%
Directors and executive officers as a group (10 persons)	64,748,805	30.97%

(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 6,962,832 shares directly owned by Geely Group Limited., Mr. Zhihao Xu is the Chief Executive Officer of Geely Technology.

(4) Consists of 2,321,792 shares owned directly by Genoa Peak Limited, a British Virgin Islands company. Mr. Dongpu Zhang controls Genoa Peak 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, 2019 and 2018, we had amount due from a related party, Ya Tuo Ji International Consultancy (Beijing) Limited, in the amounts of \$0.2 million and \$0.2 million, respectively. As of December 31, 2018, we had amount due from C Media Limited of \$4.7 million. These amounts due from related parties are short term in nature, non-interest bearing, unsecured and repayable on demand.

As of December 31, 2019 and 2018, we had amounts due to related parties, Mr. Song, C Media and Vision Capital Profits Limited, in the amounts of \$Nil and \$1.01 million; \$0.06 million and \$Nil; \$0.11 million and \$1.75 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.

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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 agreed on the settlement amount to approximately \$502,000 (RMB3,500,000).

Lawsuit with Beijing iQIYI Technology Co., Ltd.

On February 15, 2019, Beijing iQIYI Technology Co., Ltd. filed lawsuits with Beijing Internet Court alleging Shenzhen Jiu Zhou Shi Dai Digital and Technology Limited and Beijing Zhong Chuan Shi Xun Technology Limited are in infringement of exclusive rights to communication through an information network of certain works, performances, audio and video products and claiming the economic loss amounts to approximately \$562,000 (RMB 3,920,000).

On December 14, 2019, Beijing Internet Court arranged a trial; Beijing iQIYI and the Company are negotiating a potential settlement while expecting a verdict from the court. According to legal counsel, it is probable that the settlement will amount to approximately \$93,000 (RMB650,000).

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 shareholders’ 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”.

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

	ADRs*/Ordinary Shares	
	High	Low
<i>Quarterly Highs and Lows (for the two most recent full financial years and any subsequent period, based on calendar quarter end)</i>		

<i>2019</i>		
Fourth Quarter	6.13	1.28
Third Quarter	10.26	5.43
Second Quarter	7.50	5.21
First Quarter	12.20	7.00
<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
Monthly Highs and Lows (for the most recent six months)		
December 2019	1.57	1.32
November 2019	1.69	1.28
October 2019	6.13	1.49
September 2019	7.04	5.43
August 2019	10.26	6.11
July 2019	10.09	6.20

* Prior to January 3, 2019, we traded ADS instead of Ordinary Shares.

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 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”.

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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 522,794,872 shares, which are designated into (i) 500,000,000 ordinary shares of par value \$0.01 each (“**Ordinary Shares**”), (ii) 1,000,000 preferred shares of par value \$0.01 each (“**Preferred Shares**”), and (iii) 21,794,872 series A preferred shares of par value \$0.01 each, 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.

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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. 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

- 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 memorandum association and articles 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 merger 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.

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 corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

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 Depositary 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.

On August 28, 2019, the Company entered into a Share Purchase Agreement, pursuant to which the Company will acquire 100% of the equity interests of

Saleya's shareholders to issue RMB 836 million (approximately equivalent to \$120 million), which includes approximately RMB 709 million (approximately equivalent to \$101 million) in cash and the remaining RMB 127 million (approximately equivalent to \$18 million) will be paid by issuance of the Company's common stock (the "Shares") at the conversion rate of \$7 per share. In connection with its acquisition of Saleya, on January 21, 2020, as of December 31, 2019 and on January 21, 2020, the Company made a partial cash payment of \$14,334,451 and \$18,539,343, respectively, and on February 5, 2020 it issued 2,708,498 common shares to certain shareholders of Saleya in accordance with Share Purchase Agreement. On February 24, 2020, the Company reached an agreement with two of the Saleya's shareholders to issue 1,500,310 of Series B preferred shares instead of a cash payment of \$6,182,000 (RMB43,128,000) as a change of consideration for the acquisition of Saleya,

On November 13, 2019, the Company entered into a Share Subscription Agreement with Geely Technology to issue 21,794,872 series A preferred shares at a purchase price of \$1.95 per share for an aggregate purchase price of \$42,500,000. Per the terms of the agreement and in accordance with ASC Topic 480-10, the Company recognized \$32,910,257 as loan. The Company received \$21,743,857 as of December 31, 2019 and the remaining amount was received in January 2020. Geely may request the repayment after November of 2020, under such circumstance, the Company shall pay it back in January of 2021.

On November 13, 2019, the Company entered into a Securities Purchase Agreement with Acuitas Capital, LLC. and a Warrant to purchase the Company's ordinary shares pursuant to which the Purchaser subscribed to purchase up to \$100,000,000 of units with up to a \$10,000,000 subscription at each closing, with each Unit consisting of one ordinary share and one warrant, where each whole warrant entitles the holder to purchase one ordinary share. The first closing has not yet occurred.

On June 17, 2020, the Company entered into preferred stock subscription agreement with Daci Haojin Foundation Limited to issue 15,000,000 preferred shares for \$45,000,000. Pursuant to the preferred stock subscription agreement the first closing will not occur until July 2020 and such closing will be for \$13,500,000. Subsequent closings will occur on August 31 and September 30, 2020 for \$13,500,000 and \$18,000,000, respectively.

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 programs 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 disturbs social order or undermine social stability. An audio-video program that has already been broadcast shall be retained in full for at least 60 days. Movies, television programs and other media content used as Internet audio-video programs shall comply with relevant administrative regulations on programs broadcasts through radio, movie and television channels. Entities providing services related to Internet audio-video programs shall immediately delete the audio-video programs violating laws and regulations, keep relevant records, report relevant authorities and implement other regulatory requirements.

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,

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.

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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 and refuses to take corrective measures, will be subject to criminal liability for (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' personal information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (i) sells or provides personal information to others unlawfully or (ii) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

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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%.

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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.

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.

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 partnership or partners in such a partnership should consult their own tax advisors about the U.S. federal income tax consequences of holding and disposing of the securities.

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.

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 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 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, shares 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 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 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.

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.

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 PURCHASING, HOLDING OR DISPOSING OF OUR SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR NON-U.S. JURISDICTION, INCLUDING ESTATE, GIFT, AND INHERITANCE LAWS AND APPLICABLE TAX TREATIES.

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 B9-8, Block B, SOHO Phase II, 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."

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

As of December 31, 2019, 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 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 \$541,489 and \$447,246 gains as of the fiscal years ended December 31, 2019 and 2018, respectively. The Company translated balance sheet amounts with the exception of equity at December 31, 2019 at RMB6.9762 to \$1.00 as compared to RMB6.8632 to \$1.00 at December 31, 2018. The Company stated equity accounts at their historical rate. The average translation rates applied to income statement accounts for the fiscal years ended December 31, 2019 and 2018 were RMB6.8985 and RMB6.6174 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 2019 was 2.6% higher than that of the same period in 2018. 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. 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.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

A. DEBT SECURITIES.

Not applicable.

B. WARRANTS AND RIGHTS.

Not applicable.

C. OTHER SECURITIES.

Mr. Xuesong Song, our Chairman and Chief Executive Officer, beneficially owns 1,000,000 preferred shares, and each preferred share has the right to 399 votes at a meeting of the shareholders of the Company.

On November 13, 2019, the Company issued to Geely Technology 21,794,872 of series A preferred shares for \$42,500,000.

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.

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 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, David Wei Tang, Jin Meng Bryan Yap 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

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

The following is a summary of the fees billed to the Company by its principal independent registered accounting firm for professional services rendered for the years ended December 31, 2019 and 2018 (in US dollars):

	Year Ended December 31,	
	2019	2018
Audit Fees	\$ 325,000	\$ 325,000
Audit-Related Fees	160,000	-
TOTAL	\$ 485,000	\$ 325,000

“Audit Fees” consisted of the aggregate fees billed for professional services rendered for the audit of our annual financial statements and the reviews of the financial statements included in our Forms 20-F and for any other services that were normally provided in connection with our statutory and regulatory filings or engagements.

“Audit Related Fees” consisted of the aggregate fees billed for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements and were not otherwise included in Audit Fees.

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, 2019. 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.

PART III

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.

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.

June 29, 2020

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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 December 27, 2019, 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.
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, Topsky Info-tech Holdings Pte Ltd. and C Media Limited, dated October 3, 2018. [Incorporated by reference to Exhibit 10.1 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 Exhibit 4.1 to the Company's Current Report on Form 6-K filed on August 27, 2018].

Exhibit Number	Description
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 with Honbridge Holdings Limited. [Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 6-K filed on January 17, 2019].
4.27	Share Purchase Agreement as to the acquisition of Saleya. [Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 6-K filed on September 13, 2019].
4.28	Supplemental Agreement as to the acquisition of Saleya. Incorporated by reference to the Company's Current Report on Form 6-K filed on October 17, 2019.
4.29	English translation of Share Subscription Agreement with Geely Technology Group Co., Ltd.
4.30	English translation of Loan Agreement with Hangzhou Maijie Investment Co., Ltd.
4.31	Securities Purchase Agreement with Acuitas Capital, LLC. [Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 6-K filed on December 3, 2019].
4.32	Warrant Agreement with Acuitas Capital, LLC. [Incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 6-K filed on December 3, 2019].
4.33	2018 Omnibus Incentive Plan of the Company. Incorporated by reference to the Company's Current Report on Form S-8 filed on April 17, 2020.
4.34	English translation of Preferred Stock Subscription Agreement and Supplemental Agreement with Daci Haojin Foundation Limited
8.1	List of Subsidiaries and Consolidated Variable Interest Entities
11.1	Code of Business Conduct and Ethics. [Incorporated by reference to Exhibit 11.1 to the Company's Annual Report on Form 20-F filed on April 24, 2019].
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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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.

/s/ Moore Stephens CPA Limited

Certified Public Accountants

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

Hong Kong

June 29, 2020

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

	As of December 31,	
	2019	2018
Assets		
Current assets:		
Cash	\$ 3,695,687	\$ 1,192,218
Accounts receivable, net of allowance for doubtful accounts	10,004,951	22,661,594
Other receivables and prepayment	27,071,241	2,749,000
Amounts due from related parties	200,682	4,935,698
Total current assets	40,972,561	31,538,510
Non-current assets:		
Property and equipment, net	588,881	898,007
Intangible assets, net	47,299,120	52,763,998
Goodwill	11,728,600	11,728,600
Right-of-use assets	670,604	-
Other receivables, net (long term)	16,636,403	150,286
Total non-current assets	76,923,608	65,540,891
TOTAL ASSETS	117,896,169	97,079,401
Liabilities		
Current liabilities:		
Accounts payable	4,314,162	758,386
Accrued liabilities and other payables	23,697,143	28,239,477
Deferred revenue	2,067,357	1,286,635
Tax payable	-	71,358
Lease liabilities – current portion	431,995	-
Amounts due to related parties	177,102	3,378,031
Total current liabilities	30,687,759	33,733,887
Non-current liabilities:		
Lease liabilities – non-current portion	296,481	-

Accrued liabilities and other payables (long term)	32,938,926	244,755
Total non-current liabilities	33,235,407	244,755
TOTAL LIABILITIES	63,923,166	33,978,642
Commitments and contingencies		
Shareholders' Equity		
Share capital		
Preferred stock, \$0.01 par value; 22,794,872 shares authorized, issued and outstanding at December 31, 2019; 1,000,000 shares authorized, issued and outstanding at December 31, 2018	227,949	10,000
Common stock, \$0.01 par value; 500,000,000 shares authorized; 209,081,533 shares issued and outstanding at December 31, 2019; Common stock, \$0.01 par value; 250,000,000 shares authorized; 199,317,558 shares issued and outstanding at December 31, 2018;	2,090,816	1,993,176
Additional paid-in capital	124,092,191	102,125,814
Accumulated deficit	(73,376,872)	(41,863,694)
Accumulated other comprehensive income	1,372,074	835,463
Total equity attributable to owners of the company	54,406,158	63,100,759
Non-controlling interest	(433,155)	-
Total Shareholders' Equity	53,973,003	63,100,759
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 117,896,169	\$ 97,079,401

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,		
	2019	2018	2017
Revenues	\$ 18,779,172	\$ 21,042,363	\$ 26,082,417
Less: Cost of revenues	14,976,016	6,938,063	5,547,779
Less: Operating expenses:			
Selling and marketing	3,764,792	14,695,165	23,908,733
General and administrative	22,844,383	6,750,417	2,451,249
Research and development	8,710,746	3,478,570	1,046,198
Total operating expenses	35,319,921	24,924,152	27,406,180
Loss from operations	(31,516,765)	(10,819,852)	(6,871,542)
Other income (expense):			
Interest expense	(102,084)	(80,184)	(26,611)
Foreign exchange (losses) gains, net	(698,211)	(1,204,001)	350,679
Other income (expense), net	294,857	250,510	(262,980)
Total other (expense) income, net	(505,438)	(1,033,675)	61,088
Loss before income taxes	(32,022,203)	(11,853,527)	(6,810,454)
Income tax benefit (expense)	70,992	(74,009)	-
Net loss	\$ (31,951,211)	\$ (11,927,536)	\$ (6,810,454)
Less: Net loss attributable to non-controlling interest	438,033	-	-
Net loss attributable to owners of the Company	\$ (31,513,178)	\$ (11,927,536)	\$ (6,810,454)
Comprehensive loss:			
Net loss	(31,951,211)	(11,927,536)	(6,810,454)
Other comprehensive income:			
Foreign currency translation adjustment	541,489	447,246	90,671
Comprehensive loss	\$ (31,409,722)	\$ (11,480,290)	\$ (6,719,783)
Less: Comprehensive loss attributable to the non-controlling interest	(4,878)	-	-
Comprehensive loss attributable to owner of the Company	\$ (31,414,600)	\$ (11,480,290)	\$ (6,719,783)
Net loss per ordinary share:			
Basic and Diluted	\$ (0.16)	\$ (0.16)	\$ (6,810,454)
Weighted average number of ordinary shares outstanding Basic and Diluted	201,005,995	72,919,624	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)

Accumulated
other
Total

	Ordinary shares		Preferred shares		Additional paid-in capital	Accumulated deficit	comprehensive Income (loss)	Non-controlling Interest	Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
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	10000	(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	199,317,558	1,993,176	1,000,000	10,000	102,125,814	(41,863,694)	835,463	-	63,100,759
Issuance of common shares	9,763,975	97,640	-	-	11,980,000	-	-	-	12,077,640
Issuance of preferred shares	-	-	21,794,872	217,949	9,986,377	-	-	-	10,204,326
Net loss	-	-	-	-	-	(31,513,178)	-	(438,033)	(31,951,211)
Foreign currency translation adjustment	-	-	-	-	-	-	536,611	4,878	541,489
Balance as of December 31, 2019	209,081,533	\$ 2,090,816	22,794,872	\$ 227,949	\$ 124,092,191	\$ (73,376,872)	\$ 1,372,074	\$ (433,155)	\$ 53,973,003

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

	For the years ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (31,951,211)	\$ (11,927,536)	\$ (6,810,454)
Depreciation and amortization	5,852,321	5,120,727	3,316,181
Amortization of right-of-use assets	625,036	-	-
Bad debts written off	-	944,480	-
Exchange difference	506,447	1,338,857	(906,241)
Loss on disposal of property and equipment	45,883	-	115,193
Increase in allowance for doubtful accounts	12,318,303	1,845,370	445,395
Write off of other payable	(79,438)	-	-
Impairment of intangible assets	-	724,437	-
Impairment of Property, Plant, and Equipment	95,471	1,228,362	-
Changes in assets and liabilities			
Accounts receivable	419,941	(16,319,139)	(7,933,730)
Other receivables and prepayment	(4,698,887)	2,433,455	(2,202,960)
Tax payable	(70,992)	74,009	1,945,057
Deferred revenue	810,591	(962,730)	-
Accounts payable	22,486,090	(2,108,736)	(1,674,058)
Change in lease liability	(566,512)	-	-
Accrued liabilities and other payables	(24,056,587)	10,683,568	4,731,922
Net cash used in operating activities	<u>(18,263,544)</u>	<u>(6,924,876)</u>	<u>(8,973,695)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(131,261)	(32,691)	(12,689)
Proceeds from return of deposits	-	604,467	-
Cash received from acquisition subsidiaries	-	612,692	-
Partial payment made for acquisition of a subsidiary	(14,495,905)	-	-
Proceeds from disposal of property and equipment	290	-	29,942
Net cash (used in) provided by investing activities	<u>(14,626,876)</u>	<u>1,184,468</u>	<u>17,253</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances from related parties	1,628,846	6,874,994	8,938,290
Proceeds from issuance of debt	21,743,857	-	-
Proceeds from issuance of shares	12,067,550	-	-
Net cash provided by financing activities	<u>35,440,253</u>	<u>6,874,994</u>	<u>8,938,290</u>
Effect of foreign exchange rate changes	<u>(46,364)</u>	<u>(14,747)</u>	<u>6,688</u>
Net increase (decrease) in cash	2,503,469	1,119,839	(11,464)
Cash at beginning of year	1,192,218	72,379	83,843

Cash at end of year	\$ 3,695,687	\$ 1,192,218	\$ 72,379
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Supplemental cash flow disclosures:

Cash paid for amounts included in the measurement of lease liabilities	(566,512)	-	-
Interest paid	102,084	80,184	26,611
Income taxes paid	-	-	-
Non- cash investing and financing transaction:			
Right-of-use assets obtained in exchange for new operating lease liabilities	833,108	-	-

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: Topsy Info-tech Holdings Pte Ltd. (“Topsy”), 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 Topsy. 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, Topsy 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 Topsy 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 two core business brands, “Luokuang” and “SuperEngine”. Luokuang is a mobile application service for long-distance travel in the People’s Republic of China (the “PRC”), which is built as an location-based social contents and services distribution platform. It offers functions based on various travel scenarios, e.g. information, entertainment, travel, e-commerce, Online to Offline (“O2O”), advertising, etc. In the first half of 2019, the Company gradually terminated the Wi-Fi provisions for express trains because the increase in numbers of high-speed trains led to the shrinkage of the passenger trips of express trains. At the beginning of 2019, the Company established a Luokung Location-based services Data Marketing Platform (“LLDMP”), Luokung Location-based services (“LBS”) Data Marketing Platform, that combines its LBS capability with existing advertising tools. Its LBS capability includes indoor floor maps, location information, and point of interest for more than twenty thousand commercial buildings, which cover high speed train stations, shopping malls, airports and other locations with significant pedestrian traffic. SuperEngine provides spatial temporal big data services, including Platform as a Service (“PaaS”), Software as a Service (“SaaS”) and Data as a Service (“Daas”), based on its self-developed patented technology which can be applied in Mobile Internet LBS, Intelligent Transportation, Autonomous Driving, Smart City, Intelligent IoT, Natural Resources Exploration and Monitoring and so on.

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As of December 31, 2019, 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%
Topsy 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%
Beijing Luokuang Spatial-Temporal Data Technology Co., Ltd.(previously known as Zhong Chuan Tian Xia Information and Technology (Beijing) Limited)	Feb 1, 2013	PRC	100%

Shenzhen Luokuang Technology Limited (previously known as Zhong Chuan Tiann Xia Information and Technology (Shenzhen) Limited)	Dec 23, 2010	PRC	100%
Beijing Yuanli Anda Technology Co., Ltd.	June 13, 2018	PRC	51%
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”).

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.

- (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.

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.

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, 2019 and 2018, 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 statement of operations. 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.

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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 FASB 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 2019, the Company performed a qualitative assessment for goodwill and evaluated all relevant factors, including but not limited to macroeconomic conditions, industry and market conditions, and financial performance. The Company concluded that it is necessary to perform a quantitative assessment. The Company completed step one of the quantitative goodwill impairment assessment based on the discounted future cash flows that the reporting units are expected to generate and determined after evaluating the results, events and circumstances, that the fair values of the reporting units exceeded their carrying values. Therefore, step two is not required and no impairment loss on goodwill is required for the year ended December 31, 2019.

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.

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 by obtaining 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, 2019 and 2018, the Company assessed the impairment of its long-lived assets and identified impairment indications. For intangible assets, the impairment loss was \$nil, \$724,437 and \$nil for the years ended 2019, 2018 and 2017, respectively, as the Company was not going to use a software system that was purchased in 2014 and written off in 2018. For property plant and equipment, the impairment loss was \$95,471, \$1,228,362 and \$nil for the years ended 2019, 2018 and 2017, respectively.

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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

The company recognizes revenue in accordance with ASC Topic 606, “Revenue from Contracts with Customers”

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 on 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. We also derive our revenue from the provision of user acquisition services to our advertisers. On the strength of the LBS services we offer, the customers pay us based on performance, as measured by CPI (Cost Per Install), CPM (Cost Per Mile), CPC (Cost Per Click). 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 a 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 payments 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.

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

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Disaggregation of revenue

The following tables disaggregate revenues under ASC 606 by product line (dollars in thousands)

	Fiscal Year Ended		2019 to 2018
	December 31,		
	2019	2018	% Change
	(dollars in thousands)		
Revenues			
Advertising	\$ 17,806	\$ 20,703	(14.0)%
License	-	203	(100.0)%
Technology Services	973	136	615.4%
Total revenues	\$ 18,779	\$ 21,042	(10.8)%
Advertising	94.8%	98.3%	
License	-	1.0%	
Technology Services	5.2%	0.7%	
Total	100.0%	100.0%	

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, 2019, 2018 and 2017, there were no potentially dilutive securities. The following table presents a reconciliation of basic and diluted net loss per share:

	Year Ended December 31,		
	2019	2018	2017
Net loss available to owners of the Company for basic and diluted net loss per share of ordinary stock	\$ (31,513,178)	\$ (11,927,536)	\$ (6,810,454)
Weighted average ordinary stock outstanding - basic and diluted	201,005,995	72,919,624	1
Net loss per ordinary share attributable to owners of the Company - basic and diluted	\$ (0.16)	\$ (0.16)	\$ (6,810,454)

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 to these items. 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, 2019, 2018 and 2017, 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.

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, 2019, 2018 and 2017. 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

According to FASB ASC 842 “Lease”, lessees are required to record a right of use asset and lease liabilities for all leases other than those that have a lease term of 12 months or less, or the amount is under the reasonable capitalization threshold established by the Company. At the lease commencement date, a lessee should measure and record the lease liability equals to the present value of scheduled lease payments discounted using the rate implicit in the lease or the lease’s incremental borrowing rate, and the right of use asset is calculated on the basis of the initial measurement of the lease liability, plus any lease payments at or before the commencement date and direct costs, minus any incentives received. Over the lease term, a lessee must amortize the right of use asset and record the interest expense on the lease liability. The recognition and classification of lease expenses depend on the classification of the lease as either operating or finance.

When the Company is the lessor, minimum contractual rental from leases is recognized on a straight-line basis over the non-cancelable 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. If later, the billing amount exceeds the straight-line rental revenue, the variance will be credited to accrued straight-line rents receivable. 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, 2019, 2018 and 2017, advertising costs amounted to \$1,425,258, \$14,071,241 and \$23,171,170, 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, 2019, 2018 and 2017 in the consolidated statements of comprehensive loss.

Concentration of credit risk

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, 2019, three customers accounted for 57% of total revenue. 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. At December 31, 2019 and 2018, the Company had credit risk exposure of uninured cash in banks of \$3,695,687 and \$1,192,218, 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,		
	2019	2018	2017
A	33%	-	-
B	12%	-	-
C	12%	-	-
D	-	26%	81%
E	-	26%	-
F	-	25%	-
G	-	14%	-
H	-	-	14%

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,	
	2019	2018
E	31%	24%
F	29%	24%
B	15%	-
I	12%	-
D	-	23%
G	-	13%
H	-	12%

Recent accounting pronouncements

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. In November 2019, the FASB issued ASU 2019-10, Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, finalizes effective date delays for private companies, not-for-profit organizations, and certain smaller reporting companies applying the credit losses, leases, and hedging standards. The effective date for SEC filers, excluding smaller reporting companies as defined by the SEC, remains as fiscal years beginning after December 15, 2019. The Company does not expect a significant difference in the amount of impairment losses to be recognized when using the expected credit loss model in its consolidated financial statements.

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

In August 2018, the FASB issued ASU 2018-13, “Changes to the Disclosure Requirements for Fair Value Measurement.” This standard eliminates the current requirement to disclose the amount or reason for transfers between level 1 and level 2 of the fair value hierarchy and the requirement to disclose the valuation methodology for level 3 fair value measurements. The standard includes additional disclosure requirements for level 3 fair value measurements, including the requirement to disclose the changes in unrealized gains and losses in other comprehensive income during the period and permits the disclosure of other relevant quantitative information for certain unobservable inputs. The new guidance is effective for interim and annual periods beginning after December 15, 2019. The Company does not anticipate that the adoption of the new standard will have a material effect on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, “Internal-Use Software – Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement.” This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement service contract with the guidance to capitalize implementation costs of internal use software. The ASU also requires that the costs for implementation activities during the application development phase be capitalized in a hosting arrangement service contract, and costs during the preliminary and post implementation phase are expensed. The new guidance is effective for interim and annual periods beginning after December 15, 2019. The Company is currently evaluating the impact of adoption of this standard, but does not anticipate that the adoption will have a material effect on its consolidated financial statements.

NOTE 3 – BUSINESS COMBINATIONS

Business combinations in 2018 :

On August 27, 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)
Goodwill	4,488,664

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, 2019, the Company had unused net operating loss carryforwards of approximately \$36,356,659 for income tax purposes, which expire between 2020 and 2024. At December 31, 2019, 2018 and 2017, these net operating losses carryforwards may result in future income tax benefits of approximately \$7,394,397, \$6,230,296 and \$5,043,944, respectively, however, because realization is not likely 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, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Deferred tax liabilities	\$ -	\$ -
Deferred tax asset		
Net operating loss carryforward	7,394,397	6,230,296
Valuation allowance	(7,394,397)	(6,230,296)
Net deferred tax asset	<u>-</u>	<u>-</u>

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Movement of valuation allowance

	December 31, 2019	December 31, 2018
At the beginning of the year	\$ 6,230,296	\$ 5,043,944
Acquisition of subsidiary	-	500,934
Current year addition	1,281,472	1,054,992
Expired	(61,892)	(74,735)
Exchange difference	(115,166)	(294,839)
Over provided in last year	59,687	-
At the end of the year	<u>7,394,397</u>	<u>6,230,296</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, 2019, 2018 and 2017. 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 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, 2019, 2018 and 2017.

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, 2019	December 31, 2018	December 31, 2017
Loss before income taxes	\$ (32,022,203)	\$ (11,853,527)	\$ (6,810,454)
Tax loss at the PRC statutory tax rate of 25%	(7,470,202)	(2,874,005)	(1,564,147)
Non-deductible items	5,046,957	5,013,636	6,637,818
Non-taxable items	(388,109)	(3,538,631)	(3,789,956)
Change in valuation allowance	1,281,472	1,054,992	823,970
Effect of different tax rates in other jurisdictions	526,348	17,221	410
Effect of 15% preferential rate for certain PRC subsidiaries	1,003,534	252,778	(2,108,095)
Prior year over provision	70,992	-	-
Income tax benefit (expense)	<u>70,992</u>	<u>(74,009)</u>	<u>-</u>

NOTE 5 – ACCOUNTS RECEIVABLE

At December 31, 2019 and 2018, accounts receivable consisted of the following:

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 23,790,658	\$ 25,041,576
Less: allowance for doubtful accounts	(13,785,707)	(2,379,982)
	<u>\$ 10,004,951</u>	<u>\$ 22,661,594</u>

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NOTE 6 – OTHER RECEIVABLES AND PREPAYMENT

At December 31, 2019 and 2018, other receivables and prepayment consisted of the following:

December 31, December 31,

	2019	2018
Current		
Advances to suppliers	\$ 197,824	\$ 447,061
VAT recoverable (1)	410,385	945,199
Advances to business partners (2)	4,688,880	1,165,637
Other receivables from Investor (3)	21,501,677	-
Other	409,362	279,248
	27,208,128	2,837,145
Less: allowance for doubtful accounts	(136,887)	(88,145)
	<u>\$ 27,071,241</u>	<u>\$ 2,749,000</u>
Non-current		
Loans to employees	68,590	77,434
Partial payment for the acquisition of a subsidiary (4)	14,334,451	-
Advances to third party business partners (2)	2,233,362	-
Deposit for car	-	58,282
Others	-	14,570
	<u>\$ 16,636,403</u>	<u>\$ 150,286</u>

- (1) The balance of advanced VAT represents input VAT available for deducting the amount of VAT paid in the future.
- (2) The advances to third party business partners are unsecured and interest-free. Non-current Advances to business partners are due on June 8, 2021.
- (3) The balance represented \$21,501,677 receivable from Hangzhou Maijie Investment Co., Ltd., a subsidiary of Geely Technology Group Co., Ltd. (“Geely Technology”) for the subscription of preferred shares, which was settled in January 2020. See Note 11 for more discussion.
- (4) On August 28, 2019, the Company entered into a Share Purchase Agreement, pursuant to which the Company will acquire 100% of the equity interests of Saleya Holdings Limited (“Saleya”) from Saleya’s shareholders for an aggregate purchase price of approximately \$120 million. As of December 31, 2019, \$14,334,451 has been paid and the closing of the acquisition is expected to be completed in the next twelve months.

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NOTE 7 – AMOUNTS DUE FROM RELATED-PARTIES

At December 31, 2019 and 2018, amounts due from related parties consisted of the following:

Name of related party	December 31, 2019	December 31, 2018
C Media Limited (1)	\$ -	\$ 4,731,841
Ya Tuo Ji International Consultancy (Beijing) Limited (2)	200,682	203,857

- (1) C Media Limited is controlled by Mr. Xuesong Song, the CEO and Chairman of the Company (“Mr. Song”).
- (2) The spouse of Mr. Song has significant influence in Ya Tuo Ji. The loan is unsecured, interest-free and repayable on December 31, 2020. The original payment date was January 5, 2019.

NOTE 8 – PROPERTY AND EQUIPMENT

At December 31, 2019 and 2018, property and equipment consisted of the following:

	Useful life	December 31, 2019	December 31, 2018
Wi-Fi equipment	3 Years	\$ 6,800,967	\$ 9,003,392
Vehicles	5 Years	110,384	3,520
Office and other equipment	3 – 5 Years	269,189	213,601
		7,180,540	9,220,513
Less: accumulated depreciation and impairment		(6,591,659)	(8,322,506)
		<u>\$ 588,881</u>	<u>\$ 898,007</u>

For the years ended December 31, 2019, 2018 and 2017, depreciation expense amounted to \$394,907, \$2,897,135 and \$2,628,884, respectively, of which \$236,214, \$2,806,811 and \$2,423,655, respectively, was included in cost of revenue, and \$10,283, \$5,872 and \$117,648, 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 \$95,471, \$1,228,362 and \$0 for the years ended December 31, 2019, 2018 and 2017, 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, 2019		
	Gross carrying value	Accumulated amortization and impairment	Net carrying value
Software	\$ 182,893	\$ 182,704	\$ 189
Trademarks	1,223,302	1,223,302	-
Patents	54,564,009	7,265,078	47,298,931
	<u>\$ 55,970,204</u>	<u>\$ 8,671,084</u>	<u>\$ 47,299,120</u>

	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>

The Company recognized an impairment loss on software of \$0, \$724,437 and \$0 for the years ended December 31, 2019, 2018 and 2017, respectively, for the railway platform software which was replaced by the software developed by Suzhou Superengine.

Amortization expense of intangible assets was \$5,457,414, \$2,223,592 and \$613,066 for the years ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019, future minimum amortization expenses in respect of intangible assets are as follows:

Year ending December 31,	Principal
2020	\$ 5,457,147
2021	5,456,956
2022	5,456,956
2023	5,456,956
2024	5,456,956
Thereafter	20,014,149
	<u>\$ 47,299,120</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, 2019 and 2018, accrued liabilities and other payables consisted of the following:

	December 31, 2019	December 31, 2018
Current		
Accrued payroll	\$ 1,213,886	\$ 535,181
VAT payable	1,890,797	2,200,654
Individual tax payable	212,943	205,917
Other loans (1)	1,282,103	4,322,106
Advertising payable (2)	17,594,997	18,902,385
Other payable	1,502,417	2,073,234
	<u>\$ 23,697,143</u>	<u>\$ 28,239,477</u>
Non-current		
Other loans (3)	\$ 32,938,926	\$ 244,755

(1) Other loans primarily consist of loans from third parties for working capital purposes, which are unsecured, interest-free and payable on various date from November 15, 2020 to December 31, 2020.

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

(3) Non-current other loan

On November 13, 2019, the Company entered into a Share Subscription Agreement with Geely Technology to issue 21,794,872 preferred shares at a purchase price of \$1.95 per share for an aggregate purchase price of \$42,500,000. Per the terms of the agreement and in accordance with ASC Topic 480-10, the Company recognized \$32,910,257 as loan. The Company received \$21,743,857 as of December 31, 2019 and the remaining amount was received in January 2020. Geely Technology may request the repayment after November of 2020, under such circumstance, the Company shall pay it back in January of 2021.

NOTE 12 – AMOUNTS DUE TO RELATED PARTIES

At December 31, 2019 and 2018, amounts due to related parties consisted of the following:

Name of related party	December 31, 2019	December 31, 2018
Mr. Song (1)	\$ -	\$ 1,010,041
Vision Capital Profits Limited (2)	\$ 114,839	\$ 1,751,395
Mrs. Song (3)	\$ -	\$ 5,329
C Media	\$ 62,263	\$ -

(1) The Company's CEO

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

(3) The spouse of Mr. Song.

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

NOTE 13 – OPERATING LEASE

In accordance with ASC 842, the Company measured and recognized a right of use asset of \$670,604 and lease liability of \$728,476 as of December 31, 2019. The adoption of ASC 842 had an immaterial effect on the audited consolidated balance sheet as of January 1, 2019.

On December 31, 2018 and July 15, 2019, the Company entered into two 2-year lease agreements with third parties for office space. Pursuant to the Lease Agreements, the monthly payments are RMB14,500 (approximately \$2,000) and RMB294,896 (approximately \$43,000). The Lease Agreements will expire on December 31, 2020 and August 15, 2021, respectively.

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The following table shows the total lease cost and the cash flows arising from the two operating leases, and information about weighted-average remaining lease term and weighted-average discount rate.

	December 31, 2019
Lease cost	
Operating lease cost	\$ 184,326
Short term lease	440,710
Total lease cost	<u>\$ 625,036</u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	<u>\$ 566,512</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>58,524</u>
Weighted-average remaining lease term - operating lease	19 months
Weighted-average discount rate - operating lease	6.75%

As of December 31, 2019, future minimum lease payments on operating leases were as follows:

	December 31, 2019
Maturity of lease liabilities	
2020	\$ 547,320
2021	301,941
Total minimum lease payments	<u>\$ 849,261</u>
Short term lease	(80,719)
Imputed interest	<u>(40,066)</u>
Present value of minimum lease payments	\$ 728,476
Less: classified as current liabilities	<u>(431,995)</u>
Non-current liabilities	<u>\$ 296,481</u>

NOTE 14- 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 of LK Technology, (i) 185,412,599 of ordinary shares, par value \$0.01 per share and (ii) 1,000,000 of our preferred shares.

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.

On January 18, 2019 and September 10, 2019, the Company issued to Honbridge Holdings Limited, 2,000,000 ordinary shares, par value \$0.01 per share for \$12,000,000.

On November 13, 2019, the Company issued to Geely Technology 21,794,872 of series A preferred shares for \$42,500,000. For details, please refer to note 11.

On December 11, 2019, the Company issued to Acuitas Capital, LLC., 7,763,975 ordinary shares, par value \$0.01 per share for \$10,000,000, including \$9,882,432 is maintained in escrow account.

As of December 31, 2019 and 2018, we had 209,081,533 and 199,317,558 common shares issued and outstanding.

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NOTE 15 – 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 \$734,917, \$289,679 and \$170,227 during the years ended December 31, 2019, 2018 and 2017, respectively, of which \$34,240, \$9,945 and \$23,392, respectively, was charged to cost of revenue, \$228,140, \$76,971 and \$48,957, respectively was charged to selling and marketing expenses, \$156,129, \$75,104 and \$49,717, respectively, was charged to general and administrative expenses and \$316,408, \$127,660 and \$48,161, 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 16 – 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 Company allocated \$Nil to statutory reserves during the years ended December 31, 2019, 2018 and 2017, 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 17 – COMMITMENTS AND CONTINGENCIES

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 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 agreed on the settlement amount to approximately \$502,000 (RMB3,500,000) and recorded in general and administrative expenses.

Lawsuit with Beijing iQIYI Technology Co., Ltd.

On February 15, 2019, Beijing iQIYI Technology Co., Ltd. filed lawsuits with Beijing Internet Court alleging Shenzhen Jiu Zhou Shi Dai Digital and Technology Limited and Beijing Zhong Chuan Shi Xun Technology Limited are in infringement of exclusive rights to communication through information network of certain works, performances, audio and video products and claiming the economic loss amounts to approximately \$562,000 (RMB 3,920,000).

On December 14, 2019, Beijing Internet Court arranged a trial; Beijing iQIYI and the Company are negotiating a potential settlement while expecting a verdict from the court. According to legal counsel, it is probable that the settlement will amount to approximately \$93,000 (RMB650,000).

NOTE 18 – SUBSEQUENT EVENTS

The extent to which COVID-19 negatively impacts our business is highly uncertain and cannot be accurately predicted. We believe that the coronavirus outbreak and the measures taken to control it may have a significant negative impact on economic activities in China. Our revenues are generated in China. The magnitude of this negative effect on the continuity of our business operation in China remains uncertain. These uncertainties impede our ability to conduct our daily operations and could materially and adversely affect our business, financial condition and results of operations. We expect our full year 2020 results of operations to be adversely affected.

In connection with its acquisition of Saleya, on January 21, 2020, the Company made a partial cash payment of \$18,539,343, and on February 5, 2020 it issued 2,708,498 common shares to certain shareholders of Saleya in accordance with Share Purchase Agreement.

On February 24, 2020, the Company reached an agreement with two of the Saleya's shareholders to issue 1,500,310 of Series B preferred shares instead of a cash payment of \$6,182,000 (RMB43,128,000) as a change of consideration for the acquisition of Saleya,

On June 17, 2020, the Company entered into preferred stock subscription agreement with Daci Haojin Foundation Limited to issue 15,000,000 preferred shares for \$45,000,000.

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EX-1.1 2 f20f2019ex1-1_luokung.htm AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION OF LUOKUNG TECHNOLOGY CORP., DATED DECEMBER 27, 2019, AND AS CURRENTLY IN EFFECT

Exhibit 1.1

BC NO: 1553620



British Virgin Islands

The BVI Business Companies Act, 2004

(No. 16 of 2004)

Memorandum of Association
and
Articles of Association
of

Luokung Technology Corp.

Incorporated the 24th day of October, 2009

Amended and Restated the 11th Day of December 2009

Amended and Restated the 17th Day of December 2009

Amended and Restated the 21st day of May 2018

Amended and restated the 17 August 2018

Amended and restated the 20 August 2018

Amended and restated the 26 November 2019

Amended and restated the 27 December 2019

**Conyers Trust Company (BVI) Limited
Commerce House, Wickhams Cay 1
P.O. Box 3140
Road Town
Tortola
British Virgin Islands**

TERRITORY OF THE BRITISH VIRGIN ISLANDS

THE BVI BUSINESS COMPANIES ACT, 2004

(No. 16 of 2004)

MEMORANDUM OF ASSOCIATION
OF

Luokung Technology Corp.

NAME

1. The name of the Company is **Luokung Technology Corp.**

TYPE OF COMPANY

2. The Company is a company limited by shares.

REGISTERED OFFICE

3. The first Registered Office of the Company is the offices of **Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands**, the office of the registered agent.

As at the date of adoption of this memorandum, the Registered Office of the Company had changed to **Commerce House, Wickhams Cay 1, P. O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110**, the office of the registered agent of the Company.

REGISTERED AGENT

4. The first Registered Agent of the Company is **Portcullis TrustNet (BVI) Limited of Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands**.

As at the date of adoption of this memorandum, the Registered Agent of the Company had changed to **Conyers Trust Company (BVI) Limited of Commerce House, Wickhams Cay 1, P. O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110**.

AUTHORISED NUMBER OF SHARES

5. The Company is authorised to issue a maximum of 522,794,872 shares of par value US\$0.01 each.

CLASSES, NUMBER AND PAR VALUE OF SHARES

6. As at the date of adoption of this memorandum, the Company is authorised to issue (a) 500,000,000 ordinary shares of par value US\$0.01 each (“**Ordinary Shares**”); (b) 1,000,000 preferred shares of par value US\$0.01 each (“**Preferred Shares**”); and (c) 21,794,872 series A preferred shares of par value US\$0.01 each (“**Series A Preferred Shares**”).

FRACTIONAL SHARES

7. The Company may issue fractions of a share and a fractional share shall have the same corresponding fractional liabilities, limitations, preferences, privileges, qualifications, restrictions, rights and other attributes of a whole share of the same class or series of shares.

RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO SHARES

8. (1) 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 of the Company 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.

- (2) 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 of the Company 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 its liquidation.
 - (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).
- (3) 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 Series A Preferred Share of the Company confers on the holder;
 - (a) no right to vote at a meeting of the members of the Company 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 its liquidation.
 - (d) the right, at such holder's sole discretion, to convert all or any portion of the holder's Series A Preferred Shares into Ordinary Shares at any time commencing after the date of issue of such Series A Preferred Shares. The conversion rate for the Series A Preferred Shares shall be one (1) Ordinary Share for every one (1) Series A Preferred Share. Before any holder of Series A Preferred Shares shall be entitled to convert the same into Ordinary Shares and to receive certificate(s) for such Ordinary Shares, he shall surrender the certificate(s) for his Series A Preferred Shares at the office of the Company and shall give written notice to the Company at such office that he elects to convert the same. The Company shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred Shares a certificate(s) for the number of Ordinary Shares to which he shall be entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate(s) for the Series A Preferred Shares to be converted, and the person or persons entitled to receive the Ordinary Shares issuable upon such conversion shall be treated for all purposes as the record holder(s) of such Ordinary Shares on such date. The directors may effect conversion in any matter permitted by law including, without prejudice to the generality of the foregoing, repurchasing or redeeming the relevant Series A Preferred Shares and applying the proceeds towards the issue of the relevant number of new Ordinary Shares. The provisions of clause 8(3)(e) shall not apply to the Ordinary Shares so converted; and

- (e) the right, at such holder's sole discretion, to require the redemption or repurchase by the Company of all or any portion of the holder's Series A Preferred Shares in cash at a Repurchase Price defined below upon the following events: (1) six (6) months after the closing date as defined in the Share Subscription Agreement; (2) the proposed acquisition of eMapgo Technologies (Beijing) Co., Ltd. (the "**Proposed Acquisition**") by the Company is terminated; (3) the Company breaches the Share Subscription Agreement; or (4) within six (6) months from the closing date as defined in the Share Subscription Agreement provided that the Company has sufficient funds after completing the Proposed Acquisition by the Company. The repurchase price for each Series A Preferred Shares shall be the higher of (i) US\$1.95 per share; or (ii) the US dollars equivalent to RMB13.7648 per share (the "**Repurchase Price**"), where the exchange rate shall be the central parity rate between RMB and USD published by the People's Bank of China the day before Geely issues the repurchase notice, plus an eight percent (8%) annual simple interest rate basis calculated from the date such Purchase Price was fully paid until the date of full payment of the Repurchase Price, which shall be made in a lump sum on the date of the payment of the Repurchase Price, plus all declared but unpaid dividends with respect to the Series A Preferred Shares. Before any holder of Series A Preferred Shares shall be entitled to require the redemption or repurchase by the Company of all or any portion of the holder's Series A Preferred Shares, he shall surrender the certificate(s) for his Series A Preferred Shares at the office of the Company and shall give written notice to the Company (the "**Redemption Notice**") at such office that he elects to require the redemption or repurchase by the Company of the same. The Company shall pay the corresponding Repurchase Price within sixty (60) days following twelve (12) months after the Purchased Shares are issued.
- (4) The directors may at their discretion by resolution of directors redeem, purchase or otherwise acquire all or any of the shares in the Company subject to the Articles.

VARIATION OF CLASS RIGHTS

- 9. If at any time the issued shares are divided into different classes or series of shares, the rights attached to any class or series (unless otherwise provided by the terms of issue of the shares of that class or series) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or series and of the holders of not less than three-fourths of the issued shares of any other class or series of shares which may be affected by such variation.

RIGHTS NOT VARIED BY THE ISSUE OF SHARES PARI PASSU

- 10. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

CAPACITY AND POWERS

- 11. Subject to the Act, any other British Virgin Islands legislation and paragraph 12 below the Company has, irrespective of corporate benefit:
 - (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction;
 - (b) for the purposes of paragraph (a), full rights, powers and privileges; and
 - (c) full powers to issue shares with pre-emptive rights, subject to the Articles.

LIMITATIONS ON THE COMPANY'S BUSINESS

- 12. For the purposes of section 9(4) of the Act the Company may not;
 - (a) carry on banking or trust business, unless it is licensed to do so under the Banks and Trust Companies Act, 1990;
 - (b) carry on business as an insurance or reinsurance company, insurance agent or insurance broker, unless it is licensed under the Insurance Act

- (c) carry on business of company management, unless it is licensed under the Company Management Act, 1990;
- (d) carry on the business of providing the registered office or the registered agent for companies incorporated in the British Virgin Islands;

- (e) carry on the business as a mutual fund, manager of mutual funds or administrator of mutual funds unless it is recognized or licenced as the case may be under the Mutual Funds Act 1996; or
- (f) carry on any other business that gives rise to a licencing requirement under any law for the time being in force in the British Virgin Islands unless it is licenced, regulated, recognised or otherwise approved pursuant to such law.

REGISTERED SHARES AND PROHIBITION ON ISSUE OF BEARER SHARES

13. Shares in the Company may only be issued as registered shares. The issue of shares to bearer is prohibited.

PROHIBITION ON EXCHANGE AND CONVERSION OF REGISTERED SHARES TO BEARER SHARES

14. The exchange or conversion of registered shares to bearer shares is prohibited.

TRANSFER OF REGISTERED SHARES

15. Subject to the provisions of the Articles the Company may upon receipt of an instrument of transfer enter the name of the transferee in the register of members subject to the prior or simultaneous approval of the Company as evidenced by a resolution of directors or by a resolution of members. Subject to any resolution of the members to the contrary, the directors may resolve by resolution of directors to refuse or delay the registration of the transfer for reasons that shall be specified in the resolution of directors.

AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

- 16.1 The Company may amend its Memorandum or Articles by a resolution of members or by a resolution of directors provided that the directors shall not have the power to amend the Memorandum or Articles;
- (a) to restrict the rights or powers of the members to amend the Memorandum or Articles;
 - (b) to change the percentage of members required to pass a resolution to amend the Memorandum or Articles;
 - (c) in circumstances where the Memorandum or Articles cannot be amended by the members; or
 - (d) to Clauses 8, 9, 10 or this Clause 16.
- 16.2 No amendment may be made to Regulation 76 of the Articles unless approved by an affirmative vote of the holders of $66 \frac{2}{3}$ percent or more of the outstanding votes of the shares entitled to vote thereon.

DEFINITIONS

17. The meanings of words in this Memorandum are as defined in the Articles.

We, Portcullis TrustNet (BVI) Limited of Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands hereby sign this Memorandum of Association the 27th day of October, 2009.

Incorporator

/s/ Nicole Wheatley
 Portcullis TrustNet (BVI) Limited
 Portcullis TrustNet Chambers
 P.O. Box 3444
 Road Town, Tortola
 British Virgin Islands
 (Sgd. Nicole Wheatley)

TERRITORY OF THE BRITISH VIRGIN ISLANDS

THE BVI BUSINESS COMPANIES ACT, 2004

(No. 16 of 2004)

ARTICLES OF ASSOCIATION
 OF

Luokung Technology Corp.

PRELIMINARY

1. In these Articles, if not inconsistent with the subject or context, the words and expressions standing in the first column of the following table shall bear the meanings set opposite them respectively in the second column thereof.

<u>Words</u>	<u>Meaning</u>
Applicable Law	all Laws, including those of a jurisdiction in or outside of the United States, applicable to the Private or Public Transactions.
Act	the BVI Business Companies Act, 2004 (No 16 of 2004.) including any modification, extension, re-enactment or renewal thereof and any regulations made thereunder.
Articles	these Articles of Association as originally framed or as from time to time amended.
Automatic Conversion	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.
Designated Stock Exchange	either the Nasdaq National Stock Market, Inc. or such other exchange or quotation bureau on which, the Company's Securities are listed or traded; provided that until the Securities are listed on any such "Exchange" the rules of any such Designated Stock Exchange shall be inapplicable to these Articles.
director	a director of the Company.
distribution	<p>in relation to a distribution by a company to a member, means</p> <p style="margin-left: 40px;">(i) the direct or indirect transfer of an asset, other than the Company's own shares, to or for the benefit of the member or</p> <p style="margin-left: 40px;">(ii) the incurring of a debt to or for the benefit of a member,</p> <p>in relation to shares held by a member, and whether by means of a purchase of an asset, the purchase, redemption or other acquisition of shares, a transfer of indebtedness or otherwise, and includes a dividend.</p>
Independent Director	a person who meets the then current requirements for "independence" of the applicable rules and regulations of the U.S. Securities and Exchange Commission and the Designated Stock Exchange.
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member or shareholder	in relation to the Company, means a person whose name is entered in the register of members as the holder of one or more shares, or fractional shares, in the Company.
Memorandum	the Memorandum of Association of the Company as originally framed or as from time to time amended.
Mr. Xuesong Song	the founder, a director and Chairman of LK Technology Ltd.
Ordinary Shares	issued or unissued ordinary shares of par value of US\$0.01 each of the Company having the rights, preferences and privileges set out in the Memorandum
Person	An individual, a corporation, a trust, trustee, the estate of a deceased individual, a partnership or an unincorporated association of persons.
Preferred Shares	issued or unissued preferred shares of par value US\$0.01 each of the Company having the rights, preferences and privileges set out in the Memorandum.
Private Transactions	transactions that are not considered as a Public Transaction.
Public Transactions	transactions through any national securities exchanges and/or through the automated quotation system including but not limited to NASDAQ, NYSE (including NYSE American) or OTC Markets, or any transaction executed by the broker or with a market maker.
Related Party	(a) any director, officer and employee of the Company; (b) any family member of such director, officer and employee; and (c) any entity (e.g. a corporation, partnership, or trust) controlled by or set up for the benefit of a director, officer or employee, or a family member of such director, officer or employee.
Relevant System	A facility for the electronic transfer of uncertificated securities administered by The Depository Trust Company or such other Person regulated by the SEC.
resolution of directors	<p>(a) A resolution approved at a duly convened and constituted meeting of directors of the Company or of a committee of directors of the Company by the affirmative vote of a simple majority of the directors present at the meeting who voted and did not abstain; or</p> <p>(b) a resolution consented to in writing by a simple majority of the directors or of all members of the committee, as the case may be;</p> <p>except that where a director is given more than one vote, he shall be counted by the number of votes he casts for the purpose of establishing a majority.</p>
resolution of members	Subject to the provisions of the Memorandum and Articles means:

- (a) A resolution approved at a duly convened and constituted meeting of the members of the Company by the affirmative vote of
- (i) a majority of in excess of 50% of the votes of the shares entitled to vote and voting on the resolution, or
 - (ii) a majority of in excess of 50% of the votes of each class or series of shares entitled to vote as a class or series and voting on the resolution and a majority of in excess of 50% of the votes of the remaining shares entitled to vote and voting on the resolution; or

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- (b) a resolution consented to in writing by
 - (i) an absolute majority of the votes of shares entitled to vote thereon, or
 - (ii) an absolute majority of the votes of each class or series of shares entitled to vote thereon as a class or series and of an absolute majority of the votes of the remaining shares entitled to vote thereon.

Seal	Any Seal which has been duly adopted as the common seal of the Company.
SEC	The United States Securities and Exchange Commission.
Securities	shares and debt obligations of every kind, and options, warrants and rights to acquire shares, or debt obligations.
Series A Preferred Shares	issued or unissued series A preferred shares of par value US\$0.01 each of the Company having the rights, preferences and privileges set out in the Memorandum.
shares	Ordinary Shares and/or Preferred Shares, as the case may be.
Share Subscription Agreement	the share subscription agreement entered into between the Company and Geely Technology Group Co., Ltd. dated 13 November 2019
solvency test	a company satisfies the solvency test if; <ul style="list-style-type: none"> (i) the value of the company's assets exceeds its liabilities, and (ii) the company is able to pay its debts as they fall due.
treasury shares	shares in the Company that were previously issued but were repurchased, redeemed or otherwise acquired by the Company and not cancelled.

2. "Written" or any term of like import includes words typewritten, printed, painted, engraved, lithographed, photographed or represented or reproduced by any mode of reproducing words in a visible form, including telex, facsimile, telegram, cable or other form of writing produced by electronic communication.
3. Save as aforesaid any words or expressions defined in the Act shall bear the same meaning in these Articles.
4. Whenever the singular or plural number, or the masculine, feminine or neuter gender is used in these Articles, it shall equally, where the context admits, include the others.
5. A reference in these Articles to voting in relation to shares shall be construed as a reference to voting by members holding the shares except that it is the votes allocated to the shares that shall be counted and not the number of members who actually voted and a reference to shares being present at a meeting shall be given a corresponding construction.
6. A reference to money in these Articles is, unless otherwise stated, a reference to the currency in which shares in the Company shall be issued according to the provisions of the Memorandum.

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REGISTERED SHARES

7. Every member holding registered shares in the Company shall be entitled to a certificate signed by a director or officer of the Company or such other person who may be authorised from time to time by resolution of directors or under the Seal, with or without the signature of any director of the Company, specifying the share or shares held by him and the signature of the director or officer or person so authorised and the Seal may be facsimiles.
8. Any member receiving a share certificate for registered shares shall indemnify and hold the Company and its directors and officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof. If a share certificate for registered shares is worn out or lost it may be renewed on production of the worn out certificate or on satisfactory proof of its loss together with such indemnity as may be required by a resolution of directors.
9. If several persons are registered as joint holders of any shares, any one of such persons may give an effectual receipt for any distribution payable in respect of such shares.
10. Nothing in these Articles shall require title to any shares or other Securities to be evidenced by a certificate if the Act and the rules of the Designated Stock Exchange permit otherwise.

SHARES AND ISSUED SHARES

11. Subject to the provisions of these Articles and, if applicable, the rules of the Designated Stock Exchange, and any resolution of members, the directors of the Company may, without limiting or affecting any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot,

grant options over or otherwise dispose of shares to such persons, at such times and upon such terms and conditions as the Company may by resolution of directors determine. The directors shall not issue more shares than the maximum number provided for in the Memorandum.

12. The Company may issue fully paid, partly paid or nil paid shares as well as bonus shares. A partly paid or nil paid share or a share issued for a promissory note or other written obligation for payment of a debt may be issued subject to forfeiture in the manner prescribed in these Articles.
13. Shares in the Company may be issued for consideration in any form, including money, a promissory note or other obligation to contribute money or property, real property, personal property (including goodwill and know-how) services rendered or a contract for future services and the amount of such consideration shall be determined by resolution of directors, except that in the case of shares with par value, the amount shall not be less than the par value, and in the absence of fraud the decision of the directors as to the value of the consideration received by the Company in respect of the issue is conclusive unless a question of law is involved.
14. Before issuing shares for a consideration other than money, the directors shall pass a resolution stating:
 - (a) the amount to be credited for the issue of the shares;
 - (b) their determination of the reasonable present cash value of the non-money consideration for the issue; and
 - (c) that, in their opinion, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the shares.
15. A share issued by the Company upon conversion of, or in exchange for, another share or a debt obligation or other security in the Company, shall be treated for all purposes as having been issued for money equal to the consideration received or deemed to have been received by the Company in respect of the other share, debt obligation or security.
16. Treasury shares may be disposed of by the Company on such terms and conditions (not otherwise inconsistent with these Articles) as the Company may by resolution of directors determine.
17. Subject to these Articles, the Company may purchase, redeem or otherwise acquire and hold its own shares save that the Company may not purchase, redeem or otherwise acquire its own shares without the consent of the member whose shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the Act or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the shares without their consent.

18. No purchase, redemption or other acquisition of shares shall be made unless the directors determine by resolution of the directors that immediately after the purchase, redemption or other acquisition the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.
19. Sections 60 (*Process for acquisition of own shares*), 61 (*Offer to one or more shareholders*) and 62 (*Shares redeemed otherwise than at the option of company*) of the Act shall not apply to the Company.
20. A determination by the directors under Article 18 is not required;
 - (a) the Company redeems a share or shares pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the Company; or
 - (b) by virtue of the provisions of Section 179 of the Act.
21. Shares that the Company purchases, redeems or otherwise acquires pursuant to Article 17 may be cancelled or held as treasury shares except to the extent that such shares are in excess of 80 percent of the issued shares of the Company in which case they shall be cancelled but they shall be available for reissue.
22. Shares in the Company shall only be held as treasury shares where the directors of the Company resolve as such and the number of shares acquired, when aggregated with shares of the same class already held by the Company as treasury shares, does not exceed 50% of the shares of that class previously issued by the Company, excluding shares that have been cancelled. All rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the Company while it holds the share as a treasury share. Treasury shares may be reissued by the Company as new shares.
23. The Company shall keep a register of members containing;
 - (a) the names and addresses of the persons who hold registered shares in the Company;
 - (b) the number of each class and series of registered shares held by each member;
 - (c) the date on which the name of each member was entered in the register of members;
 - (d) the date on which any person ceased to be a member; and
 - (e) such other information as may be prescribed pursuant to the Act.
24. The register of members may be in any such form as the directors may approve but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents.
25. The original or a copy of the register of members shall be kept at the registered office of the Company or at the office of the registered agent of the Company.
26. A share is deemed to be issued when the name of the member is entered in the register of members.
27. Subject to the Act and the rules of the Designated Stock Exchange, the board of directors without further consultation with the holders of any shares or Securities may resolve that any class or series of shares or other Securities from time to time in issue or to be issued (including shares in issue at the date of the adoption of these Articles) may be issued, held, registered and converted to uncertificated form.
28. Conversion of shares held in certificated form into shares held in uncertificated form, and vice versa, may be made in such manner as the board of directors, in its absolute discretion, may think fit. The Company or any duly authorised transfer agent (a "**Transfer Agent**") shall enter on the register of members how many shares are held by each member in uncertificated form and in certificated form and shall maintain the register of members. Notwithstanding any provision of these Articles, a class or series of shares shall not be treated as two classes by virtue only of that class or series comprising both certificated shares and uncertificated Shares or as a result of any provision of these Articles which apply only in respect of certificated or uncertificated shares.

MORTGAGES AND CHARGES OF REGISTERED SHARES

29. Members may mortgage or charge their registered shares in the Company with such mortgage or charge being evidenced in writing and signed by, or with the authority of the registered holder of a registered share to which the mortgage or charge relates. The Company shall give effect to the terms of any valid mortgage or charge except insofar as it may conflict with any requirements herein contained for consent to the transfer of shares.
30. In the case of the mortgage or charge of registered shares there may be entered in the share register of the Company at the request of the registered holder of such shares
- (a) a statement that the shares are mortgaged or charged;
 - (b) the name of the mortgagee or chargee; and
 - (c) the date on which the aforesaid particulars are entered in the share register.
31. Where particulars of a mortgage or charge are entered in the register of members, such particulars shall be cancelled
- (a) with the written consent of the named mortgagee or chargee or anyone authorized to act on his behalf; or
 - (b) upon evidence satisfactory to the directors of the discharge of the liability secured by the mortgage or charge and the issue of such indemnities as the directors shall consider necessary or desirable.
32. Whilst particulars of a mortgage or charge over registered shares are entered in the register of members pursuant to the preceding articles no transfer of any share comprised therein shall be effected without the written consent of the named mortgagee or chargee or anyone authorized to act on his behalf.

FORFEITURE

33. When shares not fully paid on issue or issued for a promissory note or other written obligation for payment of a debt have been issued subject to forfeiture, the following provisions shall apply.
34. Written notice specifying a date for payment to be made and the shares in respect of which payment is to be made shall be served on the member who defaults in making payment pursuant to a promissory note or other written obligations to pay a debt.
35. The written notice specifying a date for payment shall
- (a) name a further date not earlier than the expiration of 14 days from the date of service of the notice on or before which payment required by the notice is to be made; and
 - (b) contain a statement that in the event of non-payment at or before the time named in the notice the shares, or any of them, in respect of which payment is not made will be liable to be forfeited.
36. Where a written notice has been issued and the requirements of the notice have not been complied with within the prescribed time, the directors may at any time before tender of payment forfeit and cancel the shares to which the notice relates.
37. The Company is under no obligation to refund any moneys to the member whose shares have been forfeited and cancelled pursuant to these provisions. Upon forfeiture and cancellation of the shares the member is discharged from any further obligation to the Company with respect to the shares forfeited and cancelled.

LIEN

38. The Company shall have a first and paramount lien on every share issued for a promissory note or for any other binding obligation to contribute money or property or any combination thereof to the Company, and the Company shall also have a first and paramount lien on every share standing registered in the name of a member, whether singly or jointly with any other person or persons, for all the debts and liabilities of such member or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such member, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such member or his estate and any other person, whether a member of the Company or not. The Company's lien on a share shall extend to all distributions payable thereon. The directors may at any time either generally, or in any particular case, waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this Article.
39. In the absence of express provisions regarding sale in the promissory note or other binding obligation to contribute money or property, the Company may sell, in such manner as the directors may by resolution of directors determine, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of twenty-one days after a notice in writing, stating and demanding payment of the sum presently payable and giving notice of the intention to sell in default of such payment, has been served on the holder for the time being of the share.
40. The net proceeds of the sale by the Company of any shares on which it has a lien shall be applied in or towards payment or discharge of the promissory note or other binding obligation to contribute money or property or any combination thereof in respect of which the lien exists so far as the same is presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the holder of the share immediately before such sale. For giving effect to any such sale the directors may authorize some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share and he shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.

TRANSFER OF SHARES

41. Registered shares in the Company are transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee. The instrument of transfer shall be signed by the transferee if registration as a holder of the share shall impose a liability to the Company on the transferee. The instrument of transfer of a registered share shall be sent to the Company for registration.

42. The board of directors may resolve that interests in shares in the form of depositary receipts may be transferred or otherwise dealt with in accordance with the regulations and practices instituted by the operator of the Relevant System and any holder of interests in shares shall be entitled to transfer such interests by means of such Relevant System and the operator of the Relevant System shall act as agent of the holders of such interests for the purposes of the transfer of those interests.
43. The register of members may be closed at such times and for such periods as the board of directors may from time to time determine, upon notice being given by advertisement in such newspapers as may be required by the Act and the practice of the Designated Stock Exchange.
44. The transfer of a registered share is effective when the name of the transferee is entered on the register of members.
45. If the directors of the Company are satisfied that an instrument of transfer relating to shares has been signed but that the instrument has been lost or destroyed, they may resolve;
- (a) to accept such evidence of the transfer of the shares as they consider appropriate; and
 - (b) that the transferee's name should be entered in the register of members notwithstanding the absence of the instrument of transfer.
46. The Company must on the receipt of an instrument of transfer from the transferor or transferee of a registered share in the Company enter the name of the transferee of the share in the register of members unless the directors, if permitted by the Memorandum or these Articles, resolve by resolution of directors to refuse or delay the registration of the transfer for reasons that shall be specified in the resolution of directors.

TRANSMISSION OF SHARES

47. The personal representative of a deceased member may transfer a share even though the personal representative is not a member at the time of the transfer.
48. The personal representative, executor or administrator of a deceased member, the guardian of an incompetent member or the trustee of a bankrupt member shall be the only person recognized by the Company as having any title to his share but they shall not be entitled to exercise any rights as a member of the Company until they have proceeded as set forth in the next following three Articles.
49. The production to the Company of any document which is evidence of probate of the will, or letters of administration of the estate, or confirmation as executor, of a deceased member or of the appointment of a guardian of an incompetent member or the trustee of a bankrupt member shall be accepted by the Company even if the deceased, incompetent or bankrupt member is domiciled outside the British Virgin Islands if the document evidencing the grant of probate or letters of administration, confirmation as executor, appointment as guardian or trustee in bankruptcy is issued by a foreign court which had competent jurisdiction in the matter. For the purpose of establishing whether or not a foreign court had competent jurisdiction in such a matter the directors may obtain appropriate legal advice. The directors may also require an indemnity to be given by the executor, administrator, guardian or trustee in bankruptcy.
50. The Company may enter in the register of members the name of any person becoming entitled by operation of law or otherwise to a share or shares in consequence of the death, incompetence or bankruptcy upon such evidence being produced as may reasonably be required by the directors.
51. Any person who has become entitled to a share or shares in consequence of the death, incompetence or bankruptcy of any member may, instead of being registered himself, request in writing that some person to be named by him be registered as the transferee of such share or shares and such request shall likewise be treated as if it were a transfer.
52. What amounts to incompetence on the part of a person is a matter to be determined by the court having regard to all the relevant evidence and the circumstances of the case.

REDUCTION OR INCREASE IN AUTHORISED AND UNISSUED SHARES

48. The Company may amend the Memorandum to increase or reduce the maximum number of shares the Company is authorised to issue and may in respect of any unissued shares increase or reduce the number of such shares, or effect any combination of the foregoing.
49. The Company may
- (1) (a) divide its shares, including issued shares, into a larger number of shares; or (b) combine its shares, including issued shares, into a smaller number of shares.
 - (2) A division or combination of shares, including issued shares, of a class or series shall be for a larger or smaller number, as the case may be, of shares in the same class or series.
 - (3) A company shall not divide its shares under subsection (1)(a) or (2) if it would cause the maximum number of shares that the Company is authorised to issue by its memorandum to be exceeded.
 - (4) Where shares are divided or combined under this article, the aggregate par value of the new shares must be equal to the aggregate par value of the original shares.

MEETINGS AND CONSENTS OF MEMBERS

50. The directors of the Company may convene meetings of the members of the Company at such times and in such manner and places within or outside the British Virgin Islands as the directors consider necessary or desirable. The Company may hold an annual general meeting, but shall not (unless required by the applicable rules of the Designated Stock Exchange for so long as the Company's Securities are listed or traded on the Designated Stock Exchange) be obliged to hold an annual general meeting.
51. Upon the written request of members holding 30 percent or more of the outstanding voting shares in the Company the directors shall convene a meeting of members.

52. The directors shall give not less than 7 days notice of meetings of members to those persons whose names on the date the notice is given appear as members in the share register of the Company and are entitled to vote at the meeting.

53. The directors may fix the date notice is given of a meeting of members as the record date for determining those shares that are entitled to vote at the meeting.
54. A meeting of members may be called on short notice:
- if members holding not less than 90 percent of the total number of shares entitled to vote on all matters to be considered at the meeting, or 90 percent of the votes of each class or series of shares where members are entitled to vote thereon as a class or series together with not less than a 90 percent majority of the remaining votes, have agreed to short notice of the meeting, or
 - if all members holding shares entitled to vote on all or any matters to be considered at the meeting have waived notice of the meeting and for this purpose presence at the meeting shall be deemed to constitute waiver.
55. The inadvertent failure of the directors to give notice of a meeting to a member, or the fact that a member has not received notice, does not invalidate the meeting.
56. A member may be represented at a meeting of members by a proxy who may speak and vote on behalf of the member.
57. The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote.
58. An instrument appointing a proxy shall be in substantially the following form or such other form as the Chairman of the meeting shall accept as properly evidencing the wishes of the member appointing the proxy.

(Name of Company)

I/We
Company with
of
of
of

being a member of the above
shares HEREBY APPOINT
or failing him
to be my/our proxy to vote for me/us at the meeting of members to be held on the day
and at any adjournment thereof.

(Any restrictions on voting to be inserted here.)

Signed this day of _____
Member

59. The following shall apply in respect of joint ownership of shares:
- if two or more persons hold shares jointly each of them may be present in person or by proxy at a meeting of members and may speak as a member;
 - if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners, and
 - if two or more of the joint owners are present in person or by proxy they must vote as one.
60. A member shall be deemed to be present at a meeting of members if he participates by telephone or other electronic means and all members participating in the meeting are able to hear each other.
61. A meeting of members is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50 percent of the votes of the shares or class or series of shares entitled to vote on resolutions of members to be considered at the meeting. If a quorum be present, notwithstanding the fact that such quorum may be represented by only one person then such person may resolve any matter and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy form shall constitute a valid resolution of members.

62. If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the next business day at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares or each class or series of shares entitled to vote on the resolutions to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.
63. At every meeting of members, the Chairman of the Board of Directors shall preside as chairman of the meeting. If there is no Chairman of the Board of Directors or if the Chairman of the Board of Directors is not present at the meeting, the members present shall choose some one of their number to be the chairman. If the members are unable to choose a chairman for any reason, then the person representing the greatest number of voting shares present in person or by prescribed form of proxy at the meeting shall preside as chairman failing which the oldest individual member or representative of a member present shall take the chair.
64. The chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
65. At any meeting of the members the chairman shall be responsible for deciding in such manner as he shall consider appropriate whether any resolution has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes thereof. If the chairman shall have any doubt as to the outcome of any resolution put to the vote, he shall cause a poll to be taken of all votes cast upon such resolution, but if the chairman shall fail to take a poll then any member present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall thereupon cause a poll to be taken. If a poll is taken at any meeting, the result thereof shall be duly recorded in the minutes of that meeting by the chairman.
66. Any person other than an individual shall be regarded as one member and subject to the specific provisions hereinafter contained for the appointment of representatives of such persons the right of any individual to speak for or represent such member shall be determined by the law of the jurisdiction where, and by the documents by which, the person is constituted or derives its existence. In case of doubt, the directors may in good faith seek legal advice from any qualified person and unless and until a court of competent jurisdiction shall otherwise rule, the directors may rely and act upon such advice without incurring any liability to any member.
67. Any person other than an individual which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorized shall be entitled to exercise the same powers on behalf of the person which he represents as that person could exercise if it were an individual member of the Company.

68. The chairman of any meeting at which a vote is cast by proxy or on behalf of any person other than an individual may call for a notarially certified copy of such proxy or authority which shall be produced within 7 days of being so requested or the votes cast by such proxy or on behalf of such person shall be disregarded.
69. Directors of the Company may attend and speak at any meeting of members of the Company and at any separate meeting of the holders of any class or series of shares in the Company.
70. An action that may be taken by the members at a meeting may also be taken by a resolution of members consented to in writing or by telex, telegram, cable, facsimile or other written electronic communication, without the need for any notice, but if any resolution of members is adopted otherwise than by the unanimous written consent of all members, a copy of such resolution shall forthwith be sent to all members not consenting to such resolution. The consent may be in the form of counterparts, each counterpart being signed by one or more members.

DIRECTORS

71. The first directors of the Company shall be appointed by the first registered agent of the Company and thereafter the directors shall be appointed by resolution of members, subject to Article 78, for such term as the members determine. A person shall not be appointed as a director unless he has consented in writing to be a director.
72. The minimum number of directors shall be one and the maximum number shall be 20. Unless otherwise determined by the Company in a meeting of shareholders and subject to the requirements of the Memorandum, the directors may by a Resolution of Directors, amend this Regulation 72 to change the number of directors. For as long as Securities of the Company are listed or traded on the Designated Stock Exchange, the directors shall include such number of Independent Directors as applicable law, rules or regulations of the Designated Stock Exchange may require for a foreign private issuer as long as the Company is a foreign private issuer.
73. Each director shall hold office for the term, if any, fixed by resolution of members or until his earlier death, resignation or removal.
74. Where the Company has only one member who is an individual and that member is also the sole director of the Company, that sole member/director may, by instrument in writing, nominate a person who is not disqualified from being a director of the Company under section 111(1) of the Act as a reserve director of the Company to act in the place of the sole director in the event of his death.
75. The nomination of a person as a reserve director of the Company ceases to have effect if;
- a. before the death of the sole member/director who nominated him;
 - (i) he resigns as reserve director, or
 - (ii) the sole member/director revokes the nomination in writing; or
 - b. the sole member/director who nominated him ceases to be the sole member/director of the Company for any reason other than his death.
76. A director may be removed from office, with or without cause, by a resolution of directors or a resolution of members. For the purposes of this Regulation 76, "cause" means the willful and continuous failure by a director to substantially perform his duties to the Company (other than any such failure resulting from incapacity due to physical or mental illness) or the willful engaging by the director in gross misconduct materially and demonstrably injurious to the Company. If a director is removed from office without cause by a resolution of the members, for the purposes of this Regulation, the resolution of members will require the affirmative vote of the holders of $66 \frac{2}{3}$ percent or more of the outstanding votes of the shares entitled to vote thereon.
77. A director may resign his office by giving written notice of his resignation to the Company and the resignation shall have effect from the date the notice is received by the Company or from such later date as may be specified in the notice. A director of the Company shall resign forthwith if he is, or becomes, disqualified to act as a director under the Act.
78. The directors may at any time by resolution of directors appoint any person to be a director to fill a vacancy. There is a vacancy if a director dies or otherwise ceases to hold office as a director prior to the expiration of his term of office, where his term of office was fixed upon his appointment. The directors may not appoint a director to fill a vacancy for a term exceeding the term that remained when the person who has ceased to be a director left or otherwise ceased to hold office.
79. The Company shall keep a register of directors containing:
- a. the names and addresses of the persons who are directors of the Company or who have been nominated as reserve directors of the Company;
 - b. the date on which each person whose name is entered in the register was appointed as a director of the Company or nominated as a reserve director of the Company;
 - c. the date on which each person named as a director ceased to be a director of the Company;
 - d. the date on which the nomination of any person nominated as a reserve director ceased to have effect; and
 - e. such other information as may be prescribed pursuant to the Act.

80. The original or a copy of any register of directors shall be kept at the office of the registered agent of the Company.
81. The register of directors may be in any such form as the directors may approve but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents.
82. With the prior or subsequent approval by a resolution of members, the directors may, by a resolution of directors, fix the emoluments of directors with respect to services to be rendered in any capacity to the Company.
83. A director shall not require a share qualification and may be an individual or a company.

84. The business and affairs of the Company shall be managed by the directors who may pay all expenses incurred preliminary to and in connection with the formation and registration of the Company and may exercise all such powers of the Company as are not by the Act or by the Memorandum or these Articles required to be exercised by the members of the Company, subject to any delegation of such powers as may be authorized by these Articles and to such requirements as may be prescribed by a resolution of members; but no requirement made by a resolution of members shall prevail if it be inconsistent with these Articles nor shall such requirement invalidate any prior act of the directors which would have been valid if such requirement had not been made. Notwithstanding anything in Section 175 of the Act the directors shall have the power to sell, transfer, lease, exchange or otherwise dispose of more than fifty percent of the assets of the Company without submitting a proposal to or obtaining the consent of the members of the Company.
85. If the Company is a wholly-owned subsidiary of a holding company a director may when exercising powers or performing duties as a director act in a manner which he believes is in the best interests of the holding company even though it may not be in the best interests of the Company.
86. The directors may, by a resolution of directors, appoint any person, including a person who is a director, to be an officer or agent of the Company. The resolution of directors appointing an agent may authorize the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company.
87. Every officer or agent of the Company has such powers and authority of the directors, including the power and authority to affix the Seal, as are set forth in these Articles or in the resolution of directors appointing the officer or agent, except that no agent has any power or authority with respect to the following;
- a. to amend the memorandum or articles;
 - b. to change the registered office or agent;
 - c. to designate committees of directors;
 - d. to delegate powers to a committee of directors;
 - e. to appoint or remove directors;
 - f. to appoint or remove an agent;
 - g. to fix emoluments of directors;
 - h. to approve a plan of merger, consolidation or arrangement;
 - i. to make a declaration of solvency for the purposes of section 198(1)(a) of the Act or to approve a liquidation plan;
 - j. to make a determination under section 57(1) of the Act that the company will, immediately after a proposed distribution, satisfy the solvency test; or
 - k. to authorise the Company to continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands.

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88. Any director which is a body corporate may appoint any person its duly authorized representative for the purpose of representing it at meetings of the Board of Directors or with respect to unanimous written consents.
89. The continuing directors may act notwithstanding any vacancy in their body, save that if their number is reduced to their knowledge below the number fixed by or pursuant to these Articles as the necessary quorum for a meeting of directors, the continuing directors or director may act only for the purpose of appointing directors to fill any vacancy that has arisen or for summoning a meeting of members.
90. The directors may by resolution of directors exercise all the powers of the Company to borrow money and to mortgage or charge its 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.
91. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by resolution of directors.
92. The Company shall keep a register of all relevant charges created by the Company showing:
- a. if the charge is a charge created by the Company, the date of its creation or if the charge is existing on property acquired by the Company, the date on which the property was acquired;
 - b. a short description of the liability secured by the charge;
 - c. a short description of the property charged;
 - d. the name and address of the trustee for the security, or if there is no such trustee the name and address of the chargee;
 - e. unless the charge is a security to bearer, the name and address of the holder of the charge;
 - f. details of any prohibition or restriction, if any, contained in the instrument creating the charge on the power of the company to create any future charge ranking in priority to or equally with the charge; and
 - g. such other information as may be prescribed pursuant to the Act.
93. The original or a copy of the register of charges shall be kept at the registered office of the Company or at the office of the registered agent of the Company.

PROCEEDINGS OF DIRECTORS

94. The directors of the Company or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable. Any one or more directors may convene a meeting of directors.
95. A director shall be deemed to be present at a meeting of directors if he participates by telephone or other electronic means and all directors participating in the meeting are able to hear each other.

96. A director shall be given not less than 3 days notice of meetings of directors, but a meeting of directors held without 3 days notice having been given to all directors shall be valid if all the directors entitled to vote at the meeting who do not attend, waive notice of the meeting and for this purpose, the presence of a director at a meeting shall constitute waiver on his part. The inadvertent failure to give notice of a meeting to a director, or the fact that a director has not received the notice, does not invalidate the meeting.

97. A director may by a written instrument appoint an alternate who need not be a director and an alternate is entitled to attend meetings in the absence of the director who appointed him and to vote or consent in place of the director.
98. A meeting of directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one half of the total number of directors, unless there are only 2 directors in which case the quorum shall be 2.
99. If the Company shall have only one director the provisions herein contained for meetings of the directors shall not apply but such sole director shall have full power to represent and act for the Company in all matters as are not by the Act or the Memorandum or these Articles required to be exercised by the members of the Company and in lieu of minutes of a meeting shall record in writing and sign a note or memorandum of all matters requiring a resolution of directors. Such a note or memorandum shall constitute sufficient evidence of such resolution for all purposes.
100. At every meeting of the directors the Chairman of the Board of Directors shall preside as chairman of the meeting. If there is no Chairman of the Board of Directors or if the Chairman of the Board of Directors is not present at the meeting the Vice Chairman of the Board of Directors shall preside. If there is no Vice Chairman of the Board of Directors or if the Vice Chairman of the Board of Directors is not present at the meeting the directors present shall choose some one of their number to be chairman of the meeting.
101. An action that may be taken by the directors or a committee of directors at a meeting may also be taken by a resolution of directors or a committee of directors consented to in writing or by telex, telegram, cable, facsimile or other written electronic communication by all directors or all members of the committee as the case may be, without the need for any notice. The consent may be in the form of counterparts, each counterpart being signed by one or more directors.
102. The directors shall cause the following records to be kept:
- a. minutes of all meetings of directors, members, committees of directors and committees of members; and
 - b. copies of all resolutions consented to by directors, members, committees of directors and committees of members.
103. The resolutions, records and minutes referred to in the preceding Article shall be kept at the registered office of the Company, its principal place of business or at such other place as the directors determine.
104. The directors may, by resolution of directors, designate one or more committees, each consisting of one or more directors.
105. Subject to the following Article, each committee of directors has such powers and authorities of the directors, including the power and authority to affix the Seal, as are set forth in the resolution of directors establishing the committee.
106. The directors have no power to delegate the following powers to a committee of directors;
- a. to amend the memorandum or articles;
 - b. to change the registered office or agent;
 - c. to designate committees of directors;
 - d. to delegate powers to a committee of directors;
 - e. to appoint or remove directors;
 - f. to appoint or remove an agent;
 - g. to fix emoluments of directors;

- h. to approve a plan of merger, consolidation or arrangement;
- i. to make a declaration of solvency for the purposes of section 198(1)(a) or to approve a liquidation plan;
- j. to make a determination under section 57(1) that the company will, immediately after a proposed distribution, satisfy the solvency test; or
- k. to authorise the company to continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands.

Paragraphs (c) and (d) do not prevent a committee of directors, where authorised by the directors, from appointing a sub-committee and delegating powers exercisable by the committee to the sub-committee.

107. The meetings and proceedings of each committee of directors consisting of 2 or more directors shall be governed mutatis mutandis by the provisions of these Articles regulating the proceedings of directors so far as the same are not superseded by any provisions in the resolution establishing the committee.
108. Without prejudice to the freedom of the directors to establish any other committee, if the shares (or depositary receipts therefore) are listed or quoted on the Designated Stock Exchange, and if required by the Designated Stock Exchange, the directors shall establish and maintain an audit committee as a committee of the board of directors, the composition and responsibilities of which shall comply with the rules and regulations of the SEC and the Designated Stock Exchange. The audit committee shall meet at least once every financial quarter, or more frequently as circumstances dictate.
109. The Company shall adopt a formal written audit committee charter and review and assess the adequacy of the formal written charter on an annual basis. The charter shall specify the responsibilities of the Audit Committee which shall include responsibility for, among other things, ensuring its receipt from the outside auditors of the Company of a formal written statement delineating all relationships between the auditor and the Company, and the Audit

Committee's responsibility for actively engaging in a dialogue with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor take appropriate action to oversee the independence of the outside auditor. In addition, the Audit Committee is responsible for reviewing potential conflict of interest situations and approving all Related Party Transactions.

110. Without prejudice to the freedom of the directors to establish any other committees, the Board may establish a Stock Option Committee to administer the Company's stock option plans, including authority to make and modify awards under such plans. For so long as the Securities of the Company are listed or traded on the Designated Stock Exchange, the Stock Option Committee shall have at least two Independent Directors. The Stock Option Committee will administer the Company's stock option plans, including the authority to make and modify awards under such plans.
111. Without prejudice to the freedom of the directors to establish any other committees, the Board may establish a Nominating Committee to assist the Board in identifying qualified individuals to become members of the Board.

OFFICERS

112. The Company may by resolution of directors appoint officers of the Company at such times as shall be considered necessary or expedient. Such officers may consist of a Chairman of the Board of Directors, a Vice Chairman of the Board of Directors, a President and one or more Vice Presidents, Secretaries and Treasurers and such other officers as may from time to time be deemed desirable. Any number of offices may be held by the same person.
113. The officers shall perform such duties as shall be prescribed at the time of their appointment subject to any modification in such duties as may be prescribed thereafter by resolution of directors or resolution of members, but in the absence of any specific allocation of duties it shall be the responsibility of the Chairman of the Board of Directors to preside at meetings of directors and members, the Vice Chairman to act in the absence of the Chairman, the President to manage the day to day affairs of the Company, the Vice Presidents to act in order of seniority in the absence of the President but otherwise to perform such duties as may be delegated to them by the President, the Secretaries to maintain the share register, minute books and records (other than financial records) of the Company and to ensure compliance with all procedural requirements imposed on the Company by applicable law, and the Treasurer to be responsible for the financial affairs of the Company.

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114. Subject to the rules of the Designated Stock Exchange, the emoluments of all officers shall be fixed by resolution of directors.
115. The officers of the Company shall hold office until their successors are duly elected and qualified, but any officer elected or appointed by the directors may be removed at any time, with or without cause, by resolution of directors. Any vacancy occurring in any office of the Company may be filled by resolution of directors.

CONFLICT OF INTERESTS

116. A director of the Company shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to all other directors of the Company.
117. A director of the Company is not required to comply with Article 112 if:
 - a. the transaction or proposed transaction is between the director and the Company; and
 - b. the transaction or proposed transaction is or is to be entered into in the ordinary course of the company's business and on usual terms and conditions.
118. For the purposes of Article 112 a disclosure to all other directors to the effect that a director is a member, director or officer of another named entity or has a fiduciary relationship with respect to the entity or a named individual and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that entity or individual, is a sufficient disclosure of interest in relation to that transaction.
- 119.A. A director of the Company who is interested in a transaction entered into or to be entered into by the Company may:
 - (i) vote on a matter relating to the transaction;
 - (ii) attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and
 - (iii) sign a document on behalf of the Company, or do any other thing in his capacity as a director, that relates to the transaction,

and, subject to compliance with the Act shall not, by reason of his office be accountable to the Company for any benefit which he derives from such transaction and no such transaction shall be liable to be avoided on the grounds of any such interest or benefit.

- 119.B. For so long the Securities of the Company are listed or traded on the Designated Stock Exchange, the Company shall conduct an appropriate review of all material Related Party Transactions on an ongoing basis and shall utilize the Audit Committee for the review and approval of potential conflicts of interest situations.

INDEMNIFICATION

120. Subject to the limitations hereinafter provided the Company may indemnify 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 any person who:
 - a. is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director, an officer or a liquidator of the Company; or
 - b. is or was, at the request of the Company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise.

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121. The Company may only indemnify a person if the person acted honestly and in good faith in what he believed to be in the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.
122. For the purposes of the preceding Article, a director acts in the best interests of the Company if he acts in the best interests of;

- a. the Company's holding company; or
 - b. a shareholder or shareholders of the Company; in either case, in the circumstances specified in Article 85.
123. The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interests of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of these Articles, unless a question of law is involved.
124. The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a nolle prosequi does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.
125. Expenses, including legal fees, incurred by a director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the Company in accordance with these Articles.
126. Expenses, including legal fees, incurred by a former director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the former director to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the Company in accordance with these Articles.
127. The indemnification and advancement of expenses provided by, or granted pursuant to, these Articles is not exclusive of any other rights to which the person seeking indemnification or advancement of expenses may be entitled under any agreement, resolution of members, resolution of disinterested directors or otherwise, both as to acting in the person's official capacity and as to acting in another capacity while serving as a director of the Company.
128. If a person to be indemnified has been successful in defence of any proceedings referred to above the person 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 person in connection with the proceedings.
129. The Company may purchase and maintain insurance in relation to any person who is or was a director, an officer or a liquidator of the Company, or who at the request of the Company is or was serving as a director, an officer or a liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability as provided in these Articles.

SEAL

130. The Company shall have a Seal and may have more than one Seal. References herein to the Seal shall be references to every Seal which shall have been duly adopted by resolution of directors. The directors shall provide for the safe custody of the Seal and for an imprint thereof to be kept at the office of the registered agent of the Company. Except as otherwise expressly provided herein, the Seal when affixed to any written instrument, shall be witnessed and attested to by the signature of a director or any other person so authorized from time to time by resolution of directors. Such authorization may be before or after the Seal is affixed, may be general or specific and may refer to any number of sealings. The Directors may provide for a facsimile of the Seal and of the signature of any director or authorized person which may be reproduced by printing or other means on any instrument and it shall have the same force and validity as if the Seal had been affixed to such instrument and the same had been signed as hereinbefore described.

DISTRIBUTIONS

131. The directors of the Company may by resolution authorise a distribution by the Company at any time and of any amount and to any members they think fit if they are satisfied on reasonable grounds that immediately after the distribution;
- a. the value of the Company's assets will exceed its liabilities, and
 - b. the Company will be able to pay its debts as they fall due.
132. A resolution of the directors passed under the preceding Article shall contain a statement that, in the opinion of the directors, immediately after the distribution the value of the Company's assets will exceed its liabilities, and the Company will be able to pay its debts as they fall due.
133. If, after a distribution is authorised and before it is made, the directors cease to be satisfied on reasonable grounds that the Company will, immediately after the distribution satisfy the solvency test, any distribution made by the Company is deemed not to have been authorised.
134. If, by virtue of the preceding Article, a distribution is deemed not to have been authorised, a director who;
- a. ceased, after authorisation but before the making of the distribution, to be satisfied on reasonable grounds for believing that the company would satisfy the solvency test immediately after the distribution is made; and
 - b. failed to take reasonable steps to prevent the distribution being made;
- is personally liable to the company to repay to the company so much of the distribution as is not able to be recovered from members.
135. A distribution made to a member at a time when the company did not, immediately after the distribution, satisfy the solvency test may be recovered by the company from the member unless;
- a. the member received the distribution in good faith and without knowledge of the company's failure to satisfy the solvency test;
 - b. the member has altered his position in reliance on the validity of the distribution; and
 - c. it would be unfair to require repayment in full or at all.

DISTRIBUTIONS BY WAY OF DIVIDEND

136. The Company may by a resolution of directors declare a distribution by way of dividend and pay such distribution in money, shares or other property. In the event that distributions by way of dividend are paid in specie the directors shall have responsibility for establishing and recording in the resolution of directors authorizing the distribution by way of dividend, a fair and proper value for the assets to be so distributed.
137. The directors may from time to time pay to the members such interim distributions by way of dividend as appear to the directors to be justified by the profits of the Company.

138. The directors may, before declaring any distribution by way of dividend, set aside out of the profits of the Company such sum as they think proper as a reserve fund, and may invest the sum so set aside as a reserve fund upon such securities as they may select.
139. Notice of any distribution by way of dividend that may have been declared shall be given to each member in the manner hereinafter mentioned and all distributions by way of dividend unclaimed for 3 years after having been declared may be forfeited by resolution of directors for the benefit of the Company.
140. No distribution by way of dividend shall bear interest as against the Company and no distribution by way of dividend shall be paid on treasury shares or shares held by another company of which the Company holds, directly or indirectly, shares having more than 50 percent of the vote in electing directors.

141. A share issued as a distribution by way of dividend by the Company shall be treated for all purposes as having been issued for money equal to the value determined by resolution of the directors. In the absence of fraud the decision of the directors as to the value of the share is conclusive unless a question of law is involved.
142. A division of the issued and outstanding shares of a class or series of shares into a larger number of shares of the same class or series having a proportionately smaller par value does not constitute a distribution by way of dividend of shares.

ACCOUNTS AND AUDIT

143. The Company may by resolution of members call for the directors to prepare periodically a profit and loss account and a balance sheet. The profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of the Company for the financial period and a true and fair view of the state of affairs of the Company as at the end of the financial period.
144. The Company may by resolution of members call for the accounts to be examined by auditors.
145. Subject to the rules of the Designated Stock Exchange, the first auditors shall be appointed by resolution of directors; subsequent auditors shall be appointed by the Audit Committee and shall hold office until the Audit Committee appoint another independent auditor.
146. Subject to the rules of the Designated Stock Exchange, the remuneration of the auditors of the Company shall be fixed by the Audit Committee.
147. The auditors shall examine each profit and loss account and balance sheet required to be served on every member of the Company or laid before a meeting of the members of the Company and shall state in a written report whether or not
- a. in their opinion the profit and loss account and balance sheet give a true and fair view respectively of the profit and loss for the period covered by the accounts, and of the state of affairs of the Company at the end of that period; and
 - b. all the information and explanations required by the auditors have been obtained.
148. The report of the auditors shall be annexed to the accounts and shall be read at the meeting of members at which the accounts are laid before the Company or shall be served on the members.
149. Every auditor of the Company shall have a right of access at all times to the books of account and vouchers of the Company, and shall be entitled to require from the directors and officers of the Company such information and explanations as he thinks necessary for the performance of the duties of the auditors.
150. The auditors of the Company shall be entitled to receive notice of, and to attend any meetings of members of the Company at which the Company's profit and loss account and balance sheet are to be presented.

NOTICES

151. Any notice, information or written statement to be given by the Company to members may be served in any way by which it can reasonably be expected to reach each member or by mail addressed to each member at the address shown in the share register.
152. Any summons, notice, order, document, process, information or written statement to be served on the Company may be served by leaving it, or by sending it by registered mail addressed to the Company, at its registered office, or by leaving it with, or by sending it by registered mail to, the registered agent of the Company.
153. Service of any summons, notice, order, document, process, information or written statement to be served on the Company may be proved by showing that the summons, notice, order, document, process, information or written statement was delivered to the registered office or the registered agent of the Company or that it was mailed in such time as to admit to its being delivered to the registered office or the registered agent of the Company in the normal course of delivery within the period prescribed for service and was correctly addressed and the postage was prepaid.

PENSION AND SUPERANNUATION FUNDS

154. The directors may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company or any company which is a subsidiary of the Company or is allied to or associated with the Company or with any such subsidiary, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid or who hold or held any salaried employment or office in the Company or such other company, or any persons in whose welfare the Company or any such other company as aforesaid is or has been at any time interested, and to the wives, widows, families and dependents of any such person, and may make payments for or towards the insurance of any such persons as aforesaid, and may do any of the matters aforesaid either alone or in conjunction with any such other company as aforesaid. Subject always to the proposal being approved by resolution of members, a director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension allowance or emolument.

VOLUNTARY WINDING UP AND DISSOLUTION

155. The Company may voluntarily commence to wind up and dissolve by a resolution of members but if the Company has never issued shares it may voluntarily commence to wind up and dissolve by resolution of directors.

156. The Company may by resolution of members or by a resolution passed unanimously by all directors of the Company continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.

ARBITRATION

157. Whenever any difference arises between the Company on the one hand and any of the members or their executors, administrators or assigns on the other hand, touching the true intent and construction or the incidence or consequences of these Articles or of the Act, touching anything done or executed, omitted or suffered in pursuance of the Act or touching any breach or alleged breach or otherwise relating to the premises or to these Articles, or to any Act or Ordinance affecting the Company or to any of the affairs of the Company such difference shall, unless the parties agree to refer the same to a single arbitrator, be referred to 2 arbitrators one to be chosen by each of the parties to the difference and the arbitrators shall before entering on the reference appoint an umpire.
158. If either party to the reference makes default in appointing an arbitrator either originally or by way of substitution (in the event that an appointed arbitrator shall die, be incapable of acting or refuse to act) for 10 days after the other party has given him notice to appoint the same, such other party may appoint an arbitrator to act in the place of the arbitrator of the defaulting party.

We, Portcullis TrustNet (BVI) Limited of Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands hereby sign these Articles of Association the 27th day of October, 2009.

Incorporator

/s/ Nicole Wheatley

Portcullis TrustNet (BVI) Limited
Portcullis TrustNet Chambers
P.O. Box 3444
Road Town, Tortola
British Virgin Islands
(Sgd. Nicole Wheatley)

EX-4.29 3 f20f2019ex4-29_luokung.htm ENGLISH TRANSLATION OF SHARE SUBSCRIPTION AGREEMENT WITH GEELY TECHNOLOGY GROUP CO., LTD.

Exhibit 4.29

Share Subscription Agreement

This share subscription agreement ("the agreement") was signed by the following parties in Hangzhou, China on November 13, 2019 ("signing date"):

- (1) Luokung Technology Corp., a company established under the laws of the British Virgin Islands and listed on the NASDAQ in the United States. The listing code is LKCO and the company address is SOHO Phase II, No. 9, Guanghua Road, Chaoyang District, Beijing Block B, B9-8 ("the Company");
- (2) Geely Technology Group Co., Ltd., a limited liability company effectively established and legally existing under the laws of China, with the registered address at Lunanjili Avenue, Luqiao District, Taizhou City, Zhejiang Province ("the Subscriber").

The Company proposed to purchase the issued and outstanding shares of Saleya Holdings Limited and the equity interests in the onshore Affiliate of Saleya Holdings Limited (the "Proposed Acquisition"). To facilitate the Proposed Acquisition, the Subscriber intends to subscribe for and purchase individual Preferred Shares of the Company, and the Company plans to issue and sell to the Subscriber individual Preferred Shares of the Company.

Article 1. Sale and Subscription

1.1 Subject to the terms and conditions of this Agreement, the Subscriber agrees to subscribe for and purchase and the Company agrees to issue, allot and sell to the Subscriber, 21,794,872 Preferred Shares of the Company (the "Purchased Shares"), with the Subscriber to pay as consideration for such Preferred Shares a price per Preferred Share of US\$1.95 and the aggregate purchase price of US\$42,500,000 (the "Investment Amount").

he Subscriber or its ODI Affiliate (as defined below) shall pay the Investment Amount within six (6) months following the signing date of this Agreement (the "Signing Date") by wire transfer to a bank account designated by the Company.

1.2 On the date of issuance of subscription shares to the subscriber under this contract, the company issues to the subscriber one-half of the warrants valid for five (5) years for each subscription share, without the subscriber having to pay any additional consideration to the company in respect of such warrants. For each warrant, the subscriber is entitled to subscribe for one ordinary share of the company. The exercise price of each warrant is 120 percent of \$1.95, that is \$2.34. For the avoidance of doubt, such warrants shall become effective as of the date on which the company issues subscription shares according to the terms and conditions of this contract and the subscriber has purchased subscription shares according to the terms and conditions of this contract.

To subscribe one according to the repurchase policy has exercised the right to convert into shares of common stock proportion of the warrants, if the company's stock price in 20 consecutive trading day according to VWAP calculation by more than 125% of the exercise price, or \$2.925, the company shall have the right to subscribe one written notice ("option exercise notice"), subscribe for deciding whether or not in the form of cash to exercise the option.

Upon receipt of the notice of exercise of the warrants issued by the company, the subscriber shall decide whether to exercise the warrants in accordance with the applicable governmental regulatory requirements (including but not limited to ODI procedures) and shall promptly notify the company in writing of the result of the decision. When the subscriber decides not to exercise the right to subscribe, the corresponding warrant becomes invalid and the company shall not require the subscriber to assume any liability.

1.3 Payment of investment amount

Subscribe or subscribe ODI subject definition (see below) shall be stipulated in closing conditions of the contract after first delivery of finance conditions or be exempt six (6) months (if because delay causes the bank formalities, such period shall be postpone) under this contract within the investment amount remitted to the following bank account designated by the company

Account name: MMB Limited
Bank: The Hongkong and Shanghai Banking Corporation Limited

Article 2. Closing Conditions

2.1 Conditions to Subscriber's Obligations at Closing:

- (1) The representations and warranties made by the Company shall be accurate, correct, complete and non-misleading in all material aspects as of the Signing Date through and including the Closing Date; the Company shall have performed and complied with all obligations and conditions that are required by this Agreement to be performed or complied with by it on or before the Closing;
- (2) All internal approvals which are required to be obtained by the Company in connection with the execution of this Agreement and the consummation of the transactions contemplated under this Agreement shall have been obtained;
- (3) All approvals, consents and waivers from all government departments or other third parties which are required to be obtained by the Company in connection with the execution of this Agreement and the consummation of the transactions contemplated under this Agreement shall have been received (if any);
- (4) There shall have been no material adverse effect on the financial conditions, businesses, trades, assets, taxes and operations over the Company from the Signing Date to the Closing Date;

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- (5) There shall have been no material adverse event which would or would be expected to cause the transactions contemplated under this Agreement to be illegal or to restrict or prohibit the implementation of such transactions as of the Signing Date through and including the Closing Date;
- (6) There shall have been no material adverse event which would or would be expected to cause the Proposed Acquisition to be illegal or to restrict or prohibit the implementation of the Proposed Acquisition as of the Signing Date through and including the Closing Date.
- (7) There shall have no breach of contracts, under this agreement or other agreements that signed between the Company and the subscriber.
- (8) The Company's British Virgin Islands legal adviser shall issue a legal opinion to the subscriber regarding the legality of the Company's signing of this agreement, the issuance of 21,794,872 subscription shares, 10,897,436 warrants and 3,000,000 ordinary shares.
- (9) All approvals, consents and waivers from all government departments or other third parties which are required to be obtained by the Company in connection with the execution of this Agreement and the consummation of the transactions contemplated under this Agreement shall have been received (if any); , including but not limited to the ODI procedures as set forth in this Agreement.

2.2 Conditions to Company's Obligations at Closing:

- (1) The representations and warranties made by the Subscriber shall be accurate, correct, complete and non-misleading in all material aspects as of the Signing Date through and including the Closing Date; the Subscriber shall have performed and complied with all obligations and conditions that are required by this Agreement to be performed or complied with by it on or before the Closing;
- (2) All internal approvals which are required to be obtained by the Subscriber in connection with the execution of this Agreement and the consummation of the transactions contemplated under this Agreement shall have been obtained;

2.3 Each party shall use its reasonable commercial efforts to cause its respective preconditions for closing to be fully satisfied or waived by the relevant party within one (1) year after the execution of this contract. Unless otherwise agreed by the parties, this contract shall terminate automatically if the preconditions for delivery set forth in article point 4 are not fully met or waived by the relevant parties within one (1) year after the execution of this contract.

Article 3. Closing

3.1 Closing: The consummation of the transactions contemplated under this Agreement (the "Closing") shall take place on a date which shall be no later than five (5) Business Days after all Closing Conditions have been satisfied or waived (the "Closing Date");

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3.2 Closing Deliveries by the Company: At the Closing, the Company shall deliver to the Subscriber: (i) the internal resolutions of the Company approving the execution of this Agreement and the consummation of the transactions contemplated under this Agreement; (ii) the approval, consent and waiver from all governmental departments or other third parties approving the execution of this Agreement and the consummation of the transactions contemplated under this Agreement (if necessary); (iii) the certificate signed by the Company certifying that the closing conditions set forth in Section 2.1.(1), 2.1.(4), 2.1.(5) and 2.1.(6) of this Agreement have been satisfied (or waived); (iv) the certificate reflecting the Subscriber's ownership of the 21,794,872 of Purchased Shares, 10,897,436 of warrants and 3,000,000 of common shares; and (v) legal opinion under Article 2.1.(8)

3.3 Closing Deliveries by the Subscriber: At the Closing, the Subscriber shall deliver the Company a certificate signed by it certifying that the closing conditions of the Company have been satisfied (or waived);

3.4 The Company covenants that: (i) the Company shall duly consummate the Proposed Acquisition; (ii) [the Investment Amount shall be solely used for the consummation of the Proposed Acquisition, unless otherwise agreed by the Subscriber in written]; (iii) immediately after the completion or termination of the Proposed Acquisition, the Company shall inform the Subscriber in writing of the particulars of the implementation of the Proposed Acquisition, including but not limited to the number of acquired shares, the acquisition amount, the key terms of the transaction, the reasons for termination, etc. (if any);

3.5 The Subscriber covenants that its onshore affiliate (the "ODI Affiliate") shall complete its ODI procedures within six (6) months after the Signing Date. Upon completion of the ODI procedures, the ODI Affiliate shall pay the Investment Amount to the Company.

3.6 The parties agree that, as part of this transaction, the Company shall issue 3,000,000 common shares on the closing date as a commission to the subscriber for facilitating the proposed acquisition transaction, and the restricted period of these shares shall be twelve (12) months. The subscriber need not pay any consideration for the 3,000,000 ordinary shares under Article 3.6.

Article 4. Rights of Repurchase and Conversion

4.1 Repurchase Right of the Subscriber: The Company agrees that the Subscriber shall have the right to require the Company to repurchase all or part of its Purchased Shares in cash at the following events: (1) six (6) months after the closing date; (2) the proposed acquisition of the Proposed Acquisition is terminated;

(3) the Company breaches the Agreement; or (4) within six (6) months from the closing date provided that the Company has sufficient funds after completing the Proposed Acquisition. The repurchase price per each Preferred Share shall be the higher of (i) \$1.95 per share; or (ii) the US dollars equivalent to RMB13.7648 per share (the "Repurchase Price"), where the exchange rate shall be the central parity rate between RMB and USD published by the People's Bank of China the day before the Subscriber issues the repurchase notice, plus an eight percent (8%) annual simple interest rate basis calculated from the date such Purchase Price was fully paid until the date of full payment of the Repurchase Price, which shall be made in a lump sum on the date of the payment of the Repurchase Price, plus all declared but unpaid dividends with respect to the Preferred Shares. The Company shall pay the corresponding Repurchase Price within sixty (60) days following twelve (12) months after the Purchased Shares are issued.

4.2 The subscriber has the right to convert the Preferred Shares into the Company's ordinary shares at the ratio of 1:1 at any time. The repurchase right discussed above will not apply to the ordinary shares so converted.

4.3 The Company shall register these common shares within fifteen (15) working days after the subscriber obtains the Company's common shares under this agreement.

Article 5. Representations and Warranties

Standard and customary representations and warranties made by the Company, including but not limited to due organization and good standing, due authorization, non-contravention, internal consents, regulatory approvals and compliances, no litigation, good title in material assets, financial statements and so on.

Standard and customary representations and warranties made by the Subscriber, including but not limited to due authorization, non-contravention, internal consents, regulatory approvals and so on.

It's execution of this contract or performance of its obligations under this contract does not breach any other agreements entered into by it or any laws and regulations applicable to it, nor does it have any legal conflict with the preceding;

It is needed for the signing of this contract all the necessary of the shareholders, the board of directors, exchange, government departments, and any other party's approval, permission, consent, registration, registration or other formalities (due to the current laws and regulations and the relevant government departments to not be able to obtain the appropriate except) have been properly make and fully valid and complete;

There is no arbitration, litigation or administrative proceeding in progress or to its knowledge that may occur involving it and that may seriously adversely affect its financial position or its ability to perform its obligations under this contract;

Upon execution of this contract, it shall constitute a binding obligation;

It has not engaged in criminal ACTS or is involved in criminal activities;

The information provided to the subscriber, whether in writing, orally, electronically or otherwise, for this transaction is correct, accurate, complete and valid without material omission or misleading statement;

The company has no other liabilities (including existing debts and contingent liabilities arising from guaranty, mortgage, pledge or other forms of guarantee provided by the company) that have a material impact on the performance of this contract outside of its daily operations;

The transaction is lawful and valid under the laws of the British virgin islands and the transaction contemplated by this contract may be executed in accordance with the provisions of this contract under the applicable laws;

The company and its subsidiaries under its control comply in all material respects with all applicable laws and regulations, government requirements, court orders, etc., and have not violated any orders, judgments or judgments it has received from any Chinese court, government or regulatory agency, and have not received significant penalties from the competent government departments;

All material contracts to which the company is a party are legal and valid, and the company has performed in all material respects its obligations to date under such contracts, without any material breach;

In its applicable engaged in business activities within the scope of the law, the company has to deal with all the relevant government and overseas (including China) approval, license, registration and filing, certification and other related documents, and will maintain the file such as the effective and sustainable, has the corresponding qualification within its approved scope of business to carry out the production and business operation activities; At the same time, the company has no actual or potential causes that may lead to the cancellation, recall or invalidation of the above governmental approval, license, registration and certification documents;

On the material assets retains the ownership to the complete and entirely on the assets such as there is no any third party's property, ownership, possession, mortgage, pledge, lien, or the real rights for security, he has not been court, arbitration or other authorized institutions by sealing up, frozen, seizure and other compulsory measures;

It has the full legal qualification and the necessary authority to sign this contract and exercise its rights under this contract. The rights and performance of its obligations under this contract;

It is the execution of this contract or performance of its obligations under this contract does not breach any other agreements entered into by it or any laws and regulations applicable to it, nor does it have any legal conflict with the preceding;

It is needed for the signing of this contract all the necessary of the shareholders, the board of directors, exchange, government departments, and any other party's approval, approval, consent, registration, registration or any other procedures (due to the current laws and regulations and the relevant government departments to not be able to obtain the appropriate except) have adequately been making and fully valid and complete;

it will not short the company's shares in bad faith or lend its shares to others for malicious short selling of the company's shares;

Article 6. Covenants

6.1 The Subscriber warrants to the Company that the Subscriber shall use its best commercially reasonable efforts to take actions conducive to the realization of the Company's principal rights under this Agreement and sign and submit the necessary documents to the Company.

6.2 The Subscriber and the Company agree and confirm that they or their affiliates shall carry out business cooperation in the future, the specific content of which will separately agreed.

Article 7. Breach

7.1 Default Event: (i) any representation or warranty made under this Agreement is proved to be untrue, inaccurate or misleading in any material respect; (ii) breach of any covenant or obligation under this Agreement (including but not limited to failure to pay the Investment Amount or the repurchase price on time, failure to cooperate with the Company to complete the cash repurchase or conversion of ordinary shares, etc.).

7.2 In the event of any breach, the non-breaching party shall have the right to demand compensation from the breaching party for any losses related to the Default Event, including damages, costs and expenses (including attorney's fees), fines, etc., and shall have the right to take any other action permitted by laws.

Article 8. Effectiveness, modification and cancellation

8.1 This agreement becomes effective after being signed by all parties.

8.2 This agreement can be modified or supplemented with the written consent of all parties; any modification and supplement of this agreement constitute an integral part of the agreement.

8.3 This agreement shall be terminated in any of the following situations: (i) the agreement is terminated in writing by mutual agreement; (ii) the Company seriously violates this agreement or other contract signed between the Company and the subscriber, the subscriber has the right to notify the Company in writing to terminate this agreement; (iii) The subscriber or its designated domestic affiliated entity fails to complete the ODI procedures within one (1) year after the signing of this agreement, and notifies the Company in writing; (iv) If the proposed acquisition transaction is terminated for any reason, the subscriber has the right to notify the Company in writing to terminate this agreement;

8.4 After the termination of this agreement, all rights and obligations of the parties under this agreement will be terminated immediately. The relevant parties shall bear corresponding responsibilities in accordance with applicable laws and the provisions of this agreement.

Article 9. Applicable Laws and Dispute Resolution

9.1 This Agreement shall be governed by and construed in accordance with the law of the PRC (for the purpose of this Agreement, excluding Hong Kong, Macao and Taiwan);

9.2 Any disputes related to this Agreement shall be settled by the China International Economic and Trade Arbitration Commission.

Loan Agreement

This loan agreement ("**This Agreement**") was signed by the following parties in Hangzhou, China on November 15, 2019:

1. Beijing Zhong Chuan Shi Xun Technology Limited, a company established in accordance with the laws of China and legally surviving. Its unified social credit code is 9111010576215249XM, and its registered address is 18B05, 15th Floor, No. 2 C, East Third Ring North Road, Chaoyang District, Beijing ("**Company**");
2. Hangzhou Maijie Investment Co., Ltd., a limited liability company that has been effectively established and legally survived in accordance with Chinese laws, its unified social credit code is 91330108MA27W4YRX2, and the registered address is Room 606, Building 1, No. 1760 Jiangling Road, Xixing Street, Binjiang District, Hangzhou ("**Lender**");
3. Song Xuesong, a natural person of Chinese nationality, has a citizenship number of 120112196809040417, and his domicile is 3-3-702, Zhongyu Garden, Guangdong Road, Hexi District, Tianjin ("**Guarantor**").

Given:

1. The related party of the Company, Luokung Technology Corp. ("**the Company's Listed Entity**"), its related shareholders and other related parties are negotiating the purchase of Saleya Holdings Limited (a company effectively established under the laws of the British Virgin Islands And legally existing company, its company number is 1020169 and the registered address is Trinity Chambers, P.O. Box 4301, Road Town, Tortola, British Virgin Islands) the transaction of issued shares and the equity of related domestic operating entities ("**Proposed Acquisition Transaction**");
2. In order to raise the funds required to implement the proposed acquisition transaction, the Company's listed entity and lender's related party, Geely Technology Group Co., Ltd. ("**Geely Group**"), as a subscriber, signed a share subscription contract on November 13, 2019 ("**Share Subscription Contract**"). According to the share subscription contract, the delivery prerequisites agreed in the share subscription contract (including but not limited to the completion of ODI procedures (as defined below)) are satisfied or exempted. The listed entity of the Company will issue 21,794,872 preferred shares to Geely Group or its related parties at a price of USD 1.95 per share ("**investment amount**") (based on the split, merger and other similar acts of the listed entity of the company Adjust accordingly). The share subscription contract further stipulated the rights and obligations of the group or its related parties after becoming the Company's listed entity shareholder;
3. To facilitate the completion of the proposed acquisition transaction as soon as possible, the lender intends to provide the Company with a loan of RMB 300,000,000 ("**loan**") in accordance with the terms of this agreement, and the Company agrees to accept such loans in accordance with the terms of this agreement;
4. The guarantor is the CEO of the Company. On the date of signing this agreement, holding not less than 28,000,000 common shares of the Company's listed entity, and is willing to use the 28,000,000 common shares of the Company's listed entity under this agreement. Agree to provide a guarantee.

Except as clearly defined in this agreement, the meaning of other terms shall be consistent with the meaning of the terms used in the share subscription agreement.

The parties reached the following agreement through friendly consultations, so as to jointly observe:

Article 1 Arrangements for borrowing and repayment

1.1 Borrowing

The loan currency under this contract is RMB; the loan amount is RMB 300,000,000. The lender shall remit the loan under this agreement to the following bank account designated by the Company within the day after the preconditions specified in Article 3 of this agreement are met or waived:

1.2 Repayment

The lender promises that after this agreement is signed, it will make reasonable commercial efforts to prompt Geely Group to complete the procedures for overseas direct investment as soon as possible (Including, but not limited to, the overseas direct investment registration/recording procedures required to complete the subscription of the shares of the company's listed entity with the investment amount in the development and reform department, business department, foreign exchange management department or bank ("**ODI procedures**")

If Geely Group completes the ODI procedure within one (1) year after the signing of this agreement, the lender may send a written repayment notice ("**Repayment Notice**") to the company at any time after the completion of the ODI procedure. The Company shall repay the principal and interest within sixty (60) days after receiving the repayment notice.

If Geely Group fails to complete the ODI procedure for any reason within one (1) year after the signing of this agreement, the lender has the right to unilaterally issue a repayment notice to the Company at any time after one year from the date of signing of this agreement. Within sixty (60) days after receiving the repayment notice, the principal and interest shall be paid at once, unless otherwise agreed by the parties.

1.3 Interest Rate

The loan interest rate under this agreement is 8% simple interest. The interest is calculated from the date the lender actually release the loan and ends when the listed entity of the Company issues subscription shares to Geely Group or its related parties in accordance with the share subscription agreement.

1.4 Purpose of loan

The loan under this agreement are limited to the implementation of the proposed acquisition transaction, and the Company may not use it for other purposes without the lender's prior written consent.

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Article 2 Guarantee

2.1 The guarantor undertakes to provide joint liability guarantees ("**guarantor guarantees**") for the Company to perform the repayment obligations mentioned in Article 1.2 of this contract with the 28,000,000 shares of the Company's listed entity, and within five (45) days after the signing of this agreement, complete the corresponding share pledge registration in accordance with the provisions of the applicable law, and pledge the 28,000,000 common shares of the Company's listed entity held by the guarantor as the first order guarantee to lender. The scope of guarantee includes the principal debt and its interest, overdue interest, liquidated damages, damages and the cost of realizing the security rights (including but not limited to litigation costs, attorney fees, notarization costs, execution costs, etc.).

2.2 The company promises that since the Company holds 51% of the equity of Saleya, the Company will use its equity of Saleya's to provides joint liability guarantees ("**company guarantees**") for the Company to perform the repayment obligations mentioned in Article 1.2 of this agreement. The Company promises to complete the corresponding equity pledge registration within forty-five (45) days after the completion of the proposed acquisition transaction. All the shares of Saleya held by the Company shall be pledged to the borrower according to the first order. The scope of guarantee includes the principal debt and its interest, overdue interest, liquidated damages, damages and the cost of realizing the security rights (including but not limited to litigation costs, attorney fees, notarization costs, execution costs, etc.). To avoid doubt, after the Company guarantee is effectively completed, the Company guarantee will replace the guarantor guarantee to provide joint and several liability guarantee for the Company to perform the obligations of this agreement.

Article 3 Prerequisites

3.1 The lender's performance of the loan obligations under this agreement shall be premised on the satisfaction of each of the following conditions or the written waiver of the lender:

- (1) The statements and guarantees of the companies and guarantors listed in this agreement shall be true, accurate and complete in all material respects when they are made and when the lender releases the loan;
- (2) Both the Company and the guarantor have obtained sufficient internal authorization, including approval from the shareholders' meeting or the board of directors or other internal authority to enter into and execute this agreement;
- (3) The Company and the guarantor have received the approval, consent, registration or filing of the relevant government departments necessary to sign and perform this agreement;
- (4) No government department has formulated, issued, promulgated, implemented or adopted any laws or government orders that restricted or prohibited the conclusion and performance of this agreement and the implementation of the proposed acquisition transaction;
- (5) The Company and the guarantor have obtained all the written consent of the third parties necessary to conclude and perform this agreement or have notified the relevant third parties;
- (6) The Company, the guarantor, and the Company's listed entity do not have any violation of this agreement or the "Share Subscription Agreement";
- (7) The guarantor has pledged 28,000,000 ordinary shares of the Company's listed entity to the lender in accordance with the provisions of Article 2.1.

3.2 The Company and the guarantor shall make reasonable commercial efforts to promptly satisfy the preconditions specified in Article 3.1 or be waived by the lender if the preconditions specified in Article 3.1 are not fully satisfied (or waived) within forty-five (45) after the signing of this agreement, this agreement is automatically terminated, and neither party is required to bear any responsibility.

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Article 4 Representations and Warranties

4.1 The Company and the guarantor state and guarantee to the lender on the date of signing this agreement:

- (1) The Company is legally and effectively established and exists, and there are no situations or legal procedures that may lead to its termination, suspension of business, dissolution, liquidation, bankruptcy, merger, division, or loss of legal personality;
- (2) The guarantor is a natural person with full capacity for civil conduct, and the signing and performance of this contract is the expression of his true intention;
- (3) It has fully legal qualifications and the necessary powers to sign this agreement, exercise its rights under this agreement and perform its obligations under this agreement;
- (4) The signing of this agreement or the performance of its obligations under this agreement does not violate any other agreements entered into, any laws and regulations applicable to it, and will not have any legal conflict with the above;
- (5) All necessary approvals, permits, consents, registrations, filings or any other formalities required by the shareholders, board of directors, exchanges, government departments and any other parties required to sign this contract (due to current laws and regulations and relevant government departments Except for reasons that cannot be obtained properly) have been properly obtained and completed and are fully legal and effective;
- (6) There is no arbitration, litigation or administration that is in progress or known to it that may involve it and that may have a serious adverse effect on its financial condition or its ability to perform its obligations under this agreement;
- (7) Once this agreement is signed, it constitutes a binding obligation;
- (8) Did not engage in criminal acts or involved criminal activities;
- (9) For the purpose of this transaction, the information provided to the lender through written, oral, electronic or other means is true, accurate, complete and effective, and there are no major omissions or misleading statements;

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- (10) Outside of daily operations, the Company and the guarantor have no other liabilities that have a significant impact on the performance of this agreement (including existing debts and contingent liabilities arising from the company's guarantee, mortgage, pledge or other forms of guarantee);
- (11) The terms of this agreement are valid under the laws of the British Virgin Islands, and the transactions contemplated by this agreement can be executed in accordance with the provisions of this agreement under the relevant applicable laws;
- (12) The guarantor has legal, valid, complete and exclusive ownership of 28,000,000 common shares of the Company's listed entity, and there are no existing pledges, guarantees or any other rights on these shares;
- (13) After the proposed acquisition transaction is completed, the Company will legally, effectively, completely and exclusively hold 51% equity of Saleya, and there is no existing pledge, guarantee or any other rights burden on these equity;
- (14) The Company and its controlled subsidiaries comply with all applicable laws and regulations, government requirements, court orders, etc. in all substantive aspects, and have not violated any orders or judgments received from any Chinese court, any government or regulatory agency The order or judgment was not severely punished by the competent government department;
- (15) All major contracts of the Company as a party are legal and valid, and the Company has performed all its major obligations under these agreements so far without any major breach of agreement;
- (16) The Company engages in business activities within the scope permitted by its applicable law. The Company has processed all relevant government (including China and overseas) approval, licensing, registration, certification, and other relevant documents, and will maintain the validity of these documents And continuous, with corresponding qualifications to carry out production and operation activities within its approved business scope; at the same time, the company does not have any real or potential reasons that may lead to the cancellation, withdrawal or invalidation of the above government approvals, permits, registration filings and certification documents;
- (17) The Company enjoys complete and sufficient ownership of its major assets, and there is no third party ownership, co-ownership, possession, mortgage, pledge, lien or other security rights in these assets, and No compulsory measures such as seizure, freezing, or seizure have been taken by courts, arbitration institutions, or other authorities with authority;
- (18) All audited accounts and management accounts (including transfer accounts) of the Company are formulated in accordance with applicable laws and regulations, and truly, completely and accurately reflect the Company's financial and operating conditions at the date of the relevant accounts. The company's financial records and information are complete meet the requirements of applicable laws and accounting standards.

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4.2 The lender shall state and guarantee to the company and the guarantor on the date of signing of this agreement:

- (1) It has fully legal qualifications and the necessary powers to sign this contract, exercise its rights under this contract and perform its obligations under this agreement;
- (2) The signing of this agreement or the performance of its obligations under this agreement does not violate any other agreements entered into by it, any laws and regulations applicable to it, and will not have any legal conflict with the above;
- (3) All necessary approvals, permits, consents, registrations, filings or any other formalities required by the shareholders, board of directors, exchanges, government departments and any other parties required to sign this agreement (due to current laws and regulations and relevant government departments except for reasons that cannot be obtained properly) have been properly obtained and completed and are fully legal and effective;

- (4) Once signed, this contract constitutes a binding obligation.

Article 5 breach of agreement

- 5.1 Any of the following events (“**default event**”) constitutes a party’s default event under this agreement:
- (1) Any statement or warranty made under this agreement proves to be untrue, inaccurate, or misleading in any material respect;
 - (2) Violation of any commitments or obligations under this agreement (including but not limited to failure to repay the loan on time).
- 5.2 In the event of any breach of agreement, the observant party has the right to request the breaching party to compensate for any losses related to the breach of contract, including damages, costs and expenses (including attorney fees), fines, etc., and has the right to take other legally permitted Any action.
- 5.3 The parties further agreed that if the Company fails to repay the principal and interest of the loan in accordance with the provisions of this agreement, the overdue payable amount shall be paid from the overdue date to the date of the Company’s actual settlement at the rate of four of ten thousandths per day.

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Article 6 Effectiveness, modification and cancellation of the agreement

- 6.1 This agreement becomes effective after being signed by all parties.
- 6.2 This agreement can be amended or supplemented with the written consent of all parties; any modification and supplement to this agreement constitute an integral part of this agreement.
- 6.3 This agreement is terminated in any of the following situations:
- (1) After the agreement between the two parties to terminate this contract in writing;
 - (2) If the Company, guarantor or listed entity of the Company seriously violates this agreement or the “Share Subscription Agreement”, the lender has the right to notify the Company in writing to terminate this agreement;
 - (3) If the proposed acquisition transaction is terminated for any reason, the lender has the right to notify the company in writing to terminate this agreement;
 - (4) Other circumstances in which this agreement or the agreement stipulated by applicable laws and regulations is terminated.
- 6.4 After the of this agreement, all rights and obligations of the parties under this agreement will be terminated immediately. The relevant parties shall bear corresponding responsibilities in accordance with the applicable laws and the provisions of this agreement.

Article 7 Applicable Law and Dispute Resolution

- 7.1 This agreement is applicable to the laws of the People’s Republic of China (for the purpose of this agreement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region) and shall be interpreted accordingly.
- 7.2 During the performance of this agreement, all disputes and disputes arising from or related to the performance of this agreement shall first be resolved by friendly consultations. When the negotiation fails to resolve, either party has the right to apply for arbitration to the China International Economic and Trade Arbitration Commission in accordance with its then valid arbitration rules. The place of arbitration is Beijing. The result of the arbitration is final and binding on all parties.

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Article 8 Other

- 8.1 A party’s failure to exercise, delay or partially exercise any of its rights, powers or remedies under this agreement does not constitute a waiver or partial waiver of them, nor does it affect the party’s further rights, powers or remedies Exercise or exercise of any other right, power or remedy. The illegality, invalidity or unenforceability of any clause of this agreement under any law does not affect its legality, validity or enforceability under any other law, nor does it affect the legality, validity or validity of any other clause Enforceability. All parties should negotiate to determine the new clauses within the legal scope to ensure the maximum realization of the original clauses.
- 8.2 All the terms of this agreement are confidential information, and the parties should not disclose it to any third party. For the purpose of performing this agreement, on the basis of what needs to be known, the parties may disclose to senior staff, directors, employees, agents and professional consultants related to the performance of this agreement, but should ensure that such senior, director, employee, agents and professional consultants also abide by the confidentiality obligations under this agreement. If a party’s senior, directors, employees, agents and professional consultants violate the confidentiality obligations under this agreement, it will be deemed that the party violates the confidentiality under this agreement; if the parties need to disclose the information about this agreement to the government, the public or shareholders in accordance with the requirements of the law or submit this agreement to the relevant agency for record, it is an exception, but the relevant party should immediately notify the other parties. Whether this agreement is changed, cancelled or terminated, this Article 8.2 has legal effect.
- 8.3 The original of this agreement is in six (6) copies, and each party holds two (2) copies, each of which has the same legal effect.

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Party A: Luokung Technology Corp (“**Issuer**”)

Company Address: B9-8, Block B, SOHO Phase II, No. 9, Guanghai Road, Chaoyang District, Beijing, China

Party B: Daci Haojin Foundation Limited (“**subscriber**”)

Company Address: ROOM 7022, FLAT D, 7TH FLOOR TAK WING INDUSTRIAL, BUILDING 3 TSUN WEN ROAD TUEN MUN, N.T. HONG KONG

Certificate No.: 69525906-000-06-18-6

Given:

1. Party A is one of the global leading spatial-temporal big-data processing technology companies, a leading interactive location-based services company in China (NASDAQ: LKCO).
2. Party B is a limited liability company established under the Hong Kong Business Registration Ordinance in accordance with the law. It is an enterprise/legal person that can independently undertake civil affairs. Related matters are executed by its licensed institutions.

In order to clarify the rights and obligations of both parties, on the basis of equality and voluntariness, both parties A and B reached the following agreement on the subscription of preferred shares of Party A (hereinafter referred to as “preferred shares issuance” or “this issuance”) subscription, and obey together:

Article 1: Stock varieties, subscription price and amount

The type of share subscribed by Party B is the preferred shares. The number of preferred shares issued by Party A to Party B are 15,000,000 shares, the price per share of the issuance is US\$3.00, and the total consideration is USD 45,000,000. Party B intends to pay USD 45,000,000 in cash to subscribe for the 15,000,000 preferred shares. Twelve (12) months after Party B pays the consideration of the subscription, Party B automatically converts the preferred shares it subscribes to Party A’s ordinary shares at a 1:1 ratio. Prior to the conversion of ordinary shares in this issue, Party B enjoys a fixed dividend of 8% per year (a total of one year). Party A pays Party B dividends in the form of ordinary shares at a unit price of \$3.00 per share.

If the Party A distributed dividends, bonus shares, share capital conversion, conducted ex-dividend and ex-rights activities during the period from the pricing base date to the issuance date. The number of share issuance and price will be adjusted accordingly.

Article 2: Payment method

Given the global impact of the COVID-19, Both parties agree within 3 months after the signing of this agreement, Party B will transfer all the consideration of the subscription in cash to the account designated by Party A below, and the payment schedule and amount shall be based on the supplemental agreement;

Article 3: Delivery of preferred shares

Within 5 working days after Party B pays the subscription payment according to this agreement, Party A shall issue a subscription receipt to Party B in accordance with Party B’s requirements, and at the same time, Party A shall deliver a certificate of the preferred shares to Party B.

Article 4 Representations and Warranties

Party A makes the following representations and warranties

1. Party A has full rights and authorization to operate its business and owns its existing properties;
2. Party A has the right to sign this agreement and perform its obligations under this agreement. After this agreement is signed by Party A, it constitutes its legal and binding obligations;

3. Party A signs this agreement and performs its obligations under this agreement
 - (1) Will not violate any provisions of its business license, incorporation agreement, articles of association or similar organizational documents;
 - (2) Will not violate any relevant laws or any government authorization or approval; Party B makes the following representations and warranties
1. Party B is an enterprise and legal person/natural person who has the capacity to enjoy civil rights and capacity for civil conduct in accordance with the law and can independently assume civil;
2. Party B has the right to sign this agreement and perform its obligations under this agreement. After this agreement is signed by Party B, it constitutes its legal and binding obligations;
3. Party B signs this agreement and performs its obligations under this agreement:
 - (1) Will not violate any provisions of its business license, incorporation agreement, articles of association or similar organizational documents;
 - (2) Will not violate any relevant laws or any government authorization or approval
 - (3) Will not short company’s share or lend its shares to others or institutions for malicious shorting

Article 5 Obligations and responsibilities of both parties

1. Party A’s obligations and responsibilities
 - (1) All necessary approvals, permits, consents, registrations, filings, or any other formalities required by the shareholders, board of directors, exchanges, government departments, and any other parties required to sign this contract (Except) have been properly obtained and completed and are fully legal and effective;
 - (2) Ensure that the shares agreed in this agreement are issued to Party B as soon as possible in accordance with the conditions, quantity and price agreed

(3) The fund-raising investment project issued this time is the arrangement that Party A is currently planning according to its own needs. These arrangements may change according to factors such as approval and market conditions. Party A will reconsider after performing relevant procedures in accordance with the law. Does not constitute a contractual obligation of Party A to Party B;

(4) According to the relevant regulations of the relevant stock exchange, timely information disclosure.

2. Party B's obligations and responsibilities

(1) Cooperate with Party A to handle the relevant procedures for the issuance of preferred shares;

(2) Ensure that the sources of its subscription funds under this agreement are normal and legal;

(3) It is fully legally qualified and has the necessary powers to sign this contract, exercise its rights under this contract and perform its obligations under this contract;

(4) The signing of this agreement, or the performance of its obligations under this contract, does not violate any other agreements entered into, any laws and regulations applicable to it, and will not have any legal conflicts with the above;

(5) It has all the necessary approvals, permits, consents, registrations, filings or any other formalities required by the shareholders, board of directors, exchanges, government departments and any other parties required to sign this contract (due to the current laws and regulations and the relevant government departments cannot be appropriate Except those obtained) have been properly obtained and completed and are fully legal and effective;

Article 6: Effective conditions of this Agreement

This agreement is effective from the date when the legal or authorized representatives of both parties A and B sign and affix their official seals.

Article 7: Liability for breach of contract

1. After the signing of this agreement, in addition to force majeure, any party who does not perform, or does not perform in a timely manner, improperly perform any of its obligations under this agreement, or violate any of its statements, guarantees or commitments made under this agreement, shall Bear corresponding legal responsibilities in accordance with the law;

2. If all the conditions stipulated in Article 7 of this agreement are met and Party B does not participate in the subscription as scheduled in this agreement, Party B shall pay Party A a penalty of three ten thousandths of the overdue amount per day

Article 8: Confidentiality

One party has the obligation to keep confidential the other party's trade secrets learned through this share subscription, and shall not disclose it to other third parties, except as otherwise provided by the current laws and regulations of the United States of America or with the other party's written consent.

Article 9: Supplement and change

This agreement can be amended or supplemented in writing based on the opinions of both parties. The supplementary agreement thus formed has the same legal effect as this agreement.

Article 10: Rescission and Termination

1. This agreement cannot be performed due to force majeure, and this agreement is terminated after written confirmation by both parties;

2. Both parties agree to terminate this agreement;

3. One party to this agreement seriously violated this agreement, rendering the other party unable to achieve the purpose of the agreement;

4. The rescission of this agreement does not affect the observing party and the breaching party will be held accountable

Article 11: Force Majeure

1. Due to force majeure, any party may be unable to perform this agreement in whole or in part or delay the execution of this agreement. Within three days from the date of the event of force majeure, the other party shall be notified in writing to the other party, and three days from the date of the event Within ten days, submit to the other party a certificate that causes all or part of it to fail or be delayed;

2. The party that suffered the force majeure shall take all necessary measures to reduce the loss, and if it can continue to perform, the performance of this agreement shall be resumed immediately after the event is eliminated. If it cannot be performed, the agreement can be terminated after consultation between the two parties;

3. "Force majeure" as mentioned in this article refers to objective events that cannot be foreseen, insurmountable, or unavoidable, including but not limited to natural disasters such as floods, earthquakes, fires, storms, etc. Objective events include wars, civil unrest, strikes, etc.

Article 12: Dispute resolution

1. If there is any dispute between the parties to this agreement regarding the interpretation or performance of the relevant provisions of this agreement, they

shall be resolved through friendly consultation;

2. If no written agreement is reached after negotiation, either party has the right to bring a lawsuit to the court where Party A's residence is located

Article 13: Interpretation of the agreement

The title of each clause of this agreement is for convenience only and does not affect the meaning of the clause to which the title belongs.

Article 14: Other

This agreement is in duplicate and has the same effect. Each party holds one copy.

PREFERRED STOCK PURCHASE AGREEMENT (Supplemental Agreement) Subscription Plan

Party A: Luokung Technology Corp.
Party B: Daci Haojin Foundation Limited

Based on the principle of equality and mutual benefit, through friendly consultation, Party A and Party B voluntarily reach the following supplementary terms and conditions to the Subscription Plan:

According to the Preferred Stock Subscription Agreement signed by Party A and Party B, LKCO (issuer) and Daci Haojin Foundation Limited (subscriber) agree to complete the issuance and subscription within a set time. Party A plans to issue 15,000,000 shares to at a price of USD 3.00 per share, with a value of USD 45,000,000. Based on the current (as of 16th Jun. 2020) RMB to USD exchange rate of 1; 7.096, that equivalent about 319,000,000 RMB (Subject to the actual remitted funds).

The payment schedule of Party B is as follows:

	The deadline	Subscription proportion	Subscription amount
First stage	2020/07/31	30%	USD13,500,000
	31th Jul. 2020	Thirty percent	
Second stage	2020/08/31	30%	USD13,500,000
	31th Aug. 2020	Thirty percent	
Third stage	2020/09/30	40%	USD18,000,000
	30th Sept. 2020	forty percent	
Total amount			USD45,000,000

EX-8.1 6 f20f2019ex8-1_luokung.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
Beijing Luokuang Spatial-Temporal Data Technology Co., Ltd.(previously known as Zhong Chuan Tian Xia Information and Technology (Beijing) Limited)	Beijing, PRC
Shenzhen Luokuang Technology Limited (previously known as Zhong Chuan Tiagn Xia Information and Technology (Shenzhen) Limited)	Shenzhen, PRC
Beijing Yuanli Anda Technology Co., Ltd.	Beijing, 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-12.1 7 f20f2019ex12-1_luokung.htm CERTIFICATION

Exhibit 12.1

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:

- I have reviewed this annual report on Form 20-F of the Company;
- 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;
- 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;
- 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: June 29, 2020

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

EX-12.2 8 f20f2019ex12-2_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.

By: /s/ Jie Yu
Jie Yu
Chief Financial Officer
(principal financial officer and
principal accounting officer)

EX-13.1 9 f20f2019ex13-1_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, 2019 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: June 29, 2020

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

EX-13.2 10 f20f2019ex13-2_luokung.htm CERTIFICATION

Exhibit 13.2

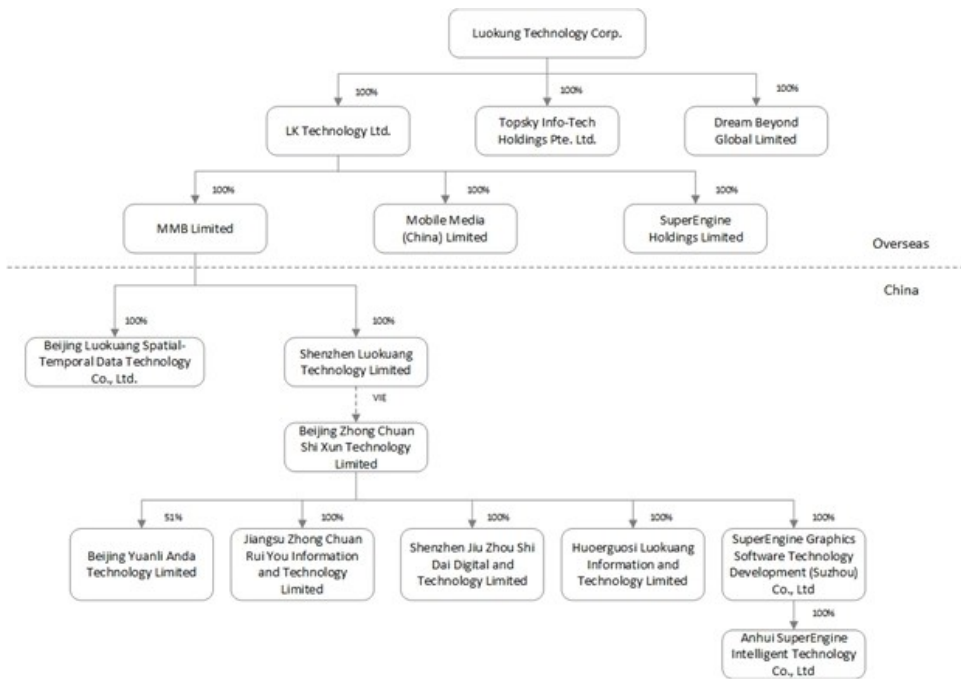
**Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 20-F of Luokung Technology Corp. (the "Company") for the year ended December 31, 2019 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: June 29, 2020

By: /s/ Jie Yu
Jie Yu
Chief Financial Officer
(principal financial officer and
principal accounting officer)



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