

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT

## IMPORTANT

**Important:** If you have doubt about any of the contents in this document, you should obtain independent professional advice.

# BITMAIN

## BitMain Technologies Holding Company 比特大陸科技控股公司

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] (subject to the  
the [REDACTED] [REDACTED])  
Number of [REDACTED] : [REDACTED] (subject to reallocation)  
Number of [REDACTED] : [REDACTED] (subject to reallocation  
and the [REDACTED])  
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED]  
plus brokerage of 1%, SFC  
transaction levy of 0.0027% and Stock  
Exchange trading fee of 0.005%  
(payable in full on application in Hong  
Kong dollars, subject to refund)  
Nominal value : US\$0.0000001 per [REDACTED]  
[REDACTED]

*Sole Sponsor*



[REDACTED]

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

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

The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] and, in any event, not later than [REDACTED]. The [REDACTED] will be not more than [REDACTED] and is currently expected to be not less than [REDACTED] unless otherwise announced. If, for any reason, the [REDACTED] is not agreed by [REDACTED] between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse.

The [REDACTED] (on behalf of the [REDACTED]) may, with our Company's consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), and on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company (<https://www.bitmain.com>) not later than the morning of the last day for lodging applications under the [REDACTED]. For further information, please refer to the sections headed "Structure of the [REDACTED]" and "How to apply for [REDACTED]."

The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure subscribers for, the [REDACTED], are subject to termination by the [REDACTED] (on behalf of the [REDACTED]) if certain events shall occur prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in the section headed "[REDACTED]" in this document.

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

Our Company is controlled through weighted voting rights. Prospective investors should be aware of the potential risks of investing in a company with a WVR structure, in particular that the WVR Beneficiaries, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with our WVR structure, please refer to the section headed "Risk Factors – Risks Relating to the WVR Structure – Our controlling shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders."

[REDACTED]

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

Application Proof of

**BITMAIN**

**BitMain Technologies Holding Company**

**比特大陸科技控股公司**

(the "Company")

*(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)*

**WARNING**

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "Exchange")/the Securities and Futures Commission (the "Commission") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, advisers or member of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Exchange's website does not give rise to any obligation of the Company, its sponsor, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the [REDACTED].*

*There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the [REDACTED].*

## OVERVIEW

We are China's second largest and among the world's top ten fabless IC design companies in terms of revenue in 2017, according to Frost & Sullivan. We focus on the design of ASIC chips specialized in cryptocurrency mining and AI applications, and we are the fourth largest global fabless ASIC chip design company in terms of revenue in 2017, according to Frost & Sullivan.

According to Frost & Sullivan, we are the largest global ASIC-based cryptocurrency mining hardware company in terms of sales revenue in 2017, accounting for a market share of 74.5%. We offer a variety of mining hardware equipped with proprietary ASIC chips under our Antminer brand. We specialize in the front-end and back-end of cryptocurrency mining ASIC chip design, and cooperate with industry-leading production partners to manufacture our chips and hardware products. With strong commitment in research and development, we have been constantly upgrading our ASIC chips, the core of our mining hardware. Our innovation in ASIC chips to improve both performance and cost-effectiveness has enabled us to deliver high computing power and great power-efficient mining hardware at reasonable prices. Meanwhile, we have focused on developing mining hardware with different algorithms covering major cryptocurrencies, including Bitcoin, Bitcoin Cash, Ether, Litecoin, Dash and Zcash, which makes us one of the few companies offering mining solutions for various cryptocurrencies. As a result, our products are able to maintain a competitive edge in the cryptocurrency mining hardware market.

Riding on our success and expertise in ASIC chip design and powerful research and development capabilities, we have extended our focus to the revolutionary field of AI and achieved promising results. We are among one of the few AI chip companies in the world, mainly including Google and NVIDIA, that are capable of developing chips for cloud training and inference. Our AI chips function as a tensor computing acceleration processor for deep learning, applicable to training and/or inference on artificial neural networks. We have launched our second generation of AI chip BM1682 in the first quarter of 2018, and have been cooperating with industry-leading AI companies to explore business opportunities in the future. In July 2018, the superior performance of our AI chip BM1682 was showcased at Baidu Create 2018, Baidu's annual AI developer conference, where our chip was demonstrated to be compatible with Baidu's latest AI inference acceleration engine.

---

## SUMMARY

---

In addition to our ASIC chip design business and in an effort to supplement our mining hardware sales business, we manage mining farms where we offer our customers custodian services for their mining hardware, and operate mining pools where miners contribute their computing power and split mining rewards. As of June 30, 2018, we had opened 11 mining farms in the PRC, located in Sichuan Province, Xinjiang and Inner Mongolia, with an aggregate capacity to store approximately 200,000 sets of mining hardware. We also primarily operate two mining pools, BTC.com and Antpool, currently the world's largest and second largest Bitcoin mining pools in terms of computing power. As of August 31, 2018, these two mining pools together contributed to approximately 37.1% of the aggregate hashrate of the Bitcoin network calculated by their aggregate block rewards as a percentage of the total block rewards generated from the Bitcoin network for the preceding 12 months.

We have experienced exponential growth during the Track Record Period. Our revenue increased from US\$137.3 million in 2015 to US\$2,517.7 million in 2017, representing a CAGR of 328.2%, and increased by 936.6% from US\$274.5 million for the six months ended June 30, 2017 to US\$2,845.5 million for the six months ended June 30, 2018. During the same period, our profit for the year increased from US\$48.6 million in 2015 to US\$701.4 million in 2017 with a CAGR of 279.9%, and increased by 794.8% from US\$83.0 million for the six months ended June 30, 2017 to US\$742.7 million for the six months ended June 30, 2018. Our adjusted net profit, which is our profit excluding share-based compensation expenses and fair value changes of convertible redeemable preferred shares, increased from US\$48.6 million in 2015 to US\$113.6 million in 2016 and further to US\$952.6 million in 2017, and our adjusted net profit increased from US\$83.0 million for the first six months of 2017 to US\$952.2 million for the first six months of 2018. Our adjusted EBITDA, which is our profit before taxation excluding fair value changes of convertible redeemable preferred shares, finance cost, share-based compensation expenses, depreciation and amortization increased from US\$57.9 million in 2015 to US\$138.1 million in 2016 and further to US\$1,152.1 million in 2017, and our adjusted EBITDA increased from US\$101.8 million for the first six months of 2017 to US\$1,122.9 million for the first six months of 2018. Please see "Financial Information – Non-IFRS Measures: Adjusted EBITDA and Adjusted Net Profit" for more information. Nevertheless, given the volatile nature of cryptocurrencies and that our business and financial condition correlate with the market price of cryptocurrencies, we may not be able to sustain our high historical growth rates. Please see "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to sustain our historical growth rates, and our historical performance may not be indicative of our future growth or financial results given our limited operating history" and "– Recent Developments."

### OUR STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

- Leader in the global ASIC chip industry;
- Pioneer in the thriving blockchain ecosystem;
- Strong contender in AI chip industry;
- Outstanding research and development capabilities;
- Close partnership with leading supply chain partners; and
- Visionary management team believing in blockchain technology and AI.

---

## BUSINESS

---

### *Domestic Mining Farms*

Through careful site selection for our mining farms, our domestic mining farms can normally guarantee over 300MW electricity supply for our customers and hosted approximately 125,000 sets of mining hardware as of June 30, 2018. As of the same date, we operated 11 mining farms in the PRC, mainly located in Sichuan Province, Xinjiang and Inner Mongolia. Our largest mining farm, located in Inner Mongolia, can host approximately 60,000 sets of mining hardware with a total power capacity of approximately 90MW. Our mining farms mainly host the mining hardware of our major customers as well as our own proprietary mining hardware.

### *Overseas Mining Farms*

We aim to expand our mining farms overseas to utilize cheap electricity around the globe. While we have not yet opened any mining farms overseas, we have selected certain sites in countries with low electricity prices and have started the construction of several mining farms. Set forth below is a summary of our major mining farms in the pipeline.

- United States: we have three mining farms under construction, one in each of the States of Washington, Texas and Tennessee, and we expect these mining farms to commence operation by the first quarter of 2019. We are also planning to construct a repair and maintenance center in the State of Washington to support nearby mining farms.
- Canada: we are contemplating the construction of mining farms in Quebec, where cheap hydropower is available.

### **Mining Pools**

A mining pool is a platform where miners contribute their computing power to jointly mine cryptocurrencies and share mining rewards. Taking Bitcoin as an example, an individual miner's daily expected rewards are proportionate to its contribution to the Bitcoin network's aggregate hashrate, the aggregate computing power of the Bitcoin network. Yet, given the probabilistic nature of the Bitcoin network hash function, the chance of successfully mining blocks is probabilistically determined by the law of large numbers and there is significant variance involved in mining, especially for individual miners. Due to the extremely high hashrate on the Bitcoin network, there is no guarantee that an individual miner will mine a block and receive Bitcoin. Mining pools generally mutualize the risk of mining and their members can share mining rewards on a daily basis pro rata based upon each miner's contribution to computing power to the pool. In a mining pool, especially a sizeable one, the individual mining process is repeated a large number of times by all its members, and the expected rewards for the mining pool are generally proportionate to its contribution to the aggregate computing power of the Bitcoin network. Thus, it is more likely for the mining pool to successfully mine any particular block. While a miner needs to split its rewards with other members of the mining pool, he is more likely to receive a smaller, yet steady, stream of mining proceeds.

---

## BUSINESS

---

We primarily operate two mining pools, BTC.com and Antpool, currently the world's largest and second largest Bitcoin mining pools in terms of computing power, respectively, according to Frost & Sullivan. As of August 31, 2018, these two mining pools together contributed approximately 37.1% of the aggregate hashrate of the Bitcoin network, with BTC.com accounting for around 21.0% of the aggregate hashrate of the Bitcoin network and Antpool around 16.1%, calculated by their respective block rewards as a percentage of the total block rewards generated from the Bitcoin network for the preceding 12 months according to Frost & Sullivan. As of August 31, 2018, BTC.com had a Bitcoin hashrate of around 8,461.00 PH/s, and Antpool had a Bitcoin hashrate of approximately 6,736.93 PH/s, according to Frost & Sullivan. Their members share mining rewards based on their contribution of computing power to the pool. BTC.com mainly targets Bitcoin and Bitcoin Cash mining, while Antpool supports mining of ten types of cryptocurrencies, including Bitcoin, Bitcoin Cash, Ether, Litecoin and Dash.

Our mining pools generate revenue from a portion of the mining rewards generated from the mining activities of our mining pools. Subject to different distribution structures, we generally collect up to 5% of the total mining rewards generated from operating the mining pools. During the Track Record Period, our mining pools realized a revenue of US\$0.3 million, US\$3.6 million and US\$32.9 million for the years ended December 31, 2015, 2016 and 2017, respectively, and a revenue of US\$7.3 million and US\$43.2 million for the six months ended June 30, 2017 and 2018, respectively. Revenue from our mining pool business contributed to 0.2%, 1.3%, 1.3%, 2.7% and 1.5% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

### **Other Cryptocurrency-related Business**

We have expanded into other cryptocurrency-related business to offer our customers a one-stop mining experience. We provide a free blockchain browser, BTC.com browser that allows users to search and navigate blockchain information. We aim to attract more members and increase user traffic with our blockchain browser.

In addition to offering products and services to our customers, we also engage in proprietary mining. To capture the profitable returns of cryptocurrency mining, we will utilize mining hardware to mine cryptocurrencies ourselves. During the Track Record Period, we generated a revenue of US\$27.9 million, US\$53.6 million and US\$199.3 million for the years ended December 31, 2015, 2016 and 2017, respectively, and a revenue of US\$40.7 million and US\$94.3 million for the six months ended June 30, 2017 and 2018, respectively, from proprietary mining. Proprietary mining revenue accounted for 20.3%, 19.3%, 7.9% and 3.3% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively.

## FINANCIAL INFORMATION

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

##### *Revenues*

Our revenues increased by 936.6% from US\$274.5 million in the six months ended June 30, 2017 to US\$2,845.5 million in the six months ended June 30, 2018 primarily due to the significant growth of mining hardware sales.

*Mining hardware sales.* Our revenues from sales of mining hardware increased by 1,115.0% from US\$220.9 million in the six months ended June 30, 2017 to US\$2,683.9 million in the six months ended June 30, 2018, primarily due to a significant increase of 1,336.2% in the sales volume of our mining hardware products.

The sales volume of our mining hardware increased from approximately 179,000 in the six months ended June 30, 2017 to approximately 2,564,000 in the six months ended June 30, 2018, among which approximately 172,000 and 1,877,000 were Bitcoin/Bitcoin Cash mining hardware, respectively. The increase in sales volume was primarily due to the increase in the market price of cryptocurrencies.

The average selling price of our mining hardware decreased from US\$1,171 in the six months ended June 30, 2017 to US\$992 in the six months ended June 30, 2018. The decrease in our average selling price of mining hardware in the first half of 2018 was primarily due to the decreased expected economic return per unit cryptocurrency mining hardware as a result of the increased network mining difficulty.

*Mining pool service.* Our revenues from mining pool service increased by 491.8% from US\$7.3 million in the six months ended June 30, 2017 to US\$43.2 million in the six months ended June 30, 2018, primarily due to the increase in scale of our mining pools.

*Mining farm service.* Our mining farm service revenues increased by 336.0% from US\$5.0 million in the six months ended June 30, 2017 to US\$21.8 million in the six months ended June 30, 2018, primarily due to the increase in the number of mining farms we managed.

*Proprietary mining.* Our proprietary mining revenues increased by 131.7% from US\$40.7 million in the six months ended June 30, 2017 to US\$94.3 million in the six months ended June 30, 2018. The revenue increase was primarily due to (i) the increase in the market price of cryptocurrencies and (ii) the increase in the value of cryptocurrencies we received from mining activities, which in turn was due to an increase in the mining hardware we utilized for proprietary mining. Our revenues generated from proprietary mining as a percentage of our total revenues decreased from 14.8% in the six months ended June 30, 2017 to 3.3% in the six months ended June 30, 2018, primarily because of the rapid growth of our mining hardware sales business that contributed to most of our revenue increase.

*Others.* Our other revenues increased by 266.7% from US\$0.6 million in the six months ended June 30, 2017 to US\$2.2 million in the six months ended June 30, 2018.

## FINANCIAL INFORMATION

### ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Cryptocurrencies

Our cryptocurrencies, including, among others, Bitcoin, Bitcoin Cash, Ether, Litecoin and Dash, are generated mainly from (i) sales of mining hardware settled in cryptocurrencies, (ii) proprietary mining, and (iii) our share of mining rewards generated from our mining pools operation. During the Track Record Period, a majority of our cryptocurrencies were earned from the sales of mining hardware. The balance of our cryptocurrencies was US\$12.3 million, US\$56.3 million, US\$872.6 million and US\$886.9 million, accounting for 9.9%, 25.0%, 30.1% and 28.0% of our total assets as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

We account for cryptocurrencies at cost, instead of revaluing cryptocurrencies at their fair value on each accounting reference date, to avoid substantial volatility in the value of cryptocurrencies from time to time, which may distort our results of operation and financial condition. Gains or losses arising from the disposal of cryptocurrencies are determined as the difference between the net disposal proceeds and the carrying amount of the cryptocurrencies and are recognized in profit or loss on the date of disposal. In addition, if circumstances indicate that the carrying amount of cryptocurrencies may not be recoverable, an impairment loss may be recognized in accordance with accounting policy for impairment of cryptocurrencies. These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

#### Inventories

Our inventories primarily consist of finished goods, raw materials, work-in-progress and proprietary mining hardware. To minimize the risk of inventory build-up, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan for the production and deliver our products to meet customer demand in a timely manner without straining our liquidity. The value of our inventories accounted for 24.4%, 16.4%, 19.2% and 28.0% of our total assets as of December 2015, 2016, 2017 and June 30, 2018, respectively. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	June 30,
	US\$'000	US\$'000	US\$'000	2018
				US\$'000
Raw materials	17,632	3,475	131,535	353,492
Work in progress	3,936	27,170	188,631	309,789
Finished goods	4,418	1,475	349,523	564,824
Proprietary mining hardware	4,302	5,669	27,036	50,344
	30,288	37,789	696,725	1,278,449
Less: provision for impairment of inventories	-	(824)	(138,636)	(391,292)
	30,288	36,965	558,089	887,157



## FINANCIAL INFORMATION

The increase in the balance of our raw materials, work in progress and finished goods throughout the Track Record Period was primarily a result of the growth of our business and the expansion of our mining hardware production capacity to meet the strong market demand for our mining hardware. As of December 31, 2015, 2016, 2017 and June 30, 2018, our work in progress mainly hardwares the ASIC chips being tested and packaged by our production partners and mining hardware being assembled by our contract manufacturers. Our proprietary mining hardware continued to increase during the Track Record Period, primarily due to (i) the increase in our mining hardware in stock that could be used for proprietary mining, and (ii) the increase in the number of mining farms we operated which allowed us to store more proprietary mining hardware.

Our management determines impairment of inventories on a regular basis and in accordance with applicable IFRS. This estimate is based on the current market condition. Our finance department reassesses the impairment of inventories at the end of each reporting period. We recorded provision for impairment loss of inventories of US\$138.6 million as of December 31, 2017 and US\$391.3 million as of June 30, 2018 primarily because the fluctuation of the market price of cryptocurrencies caused the anticipated selling price of certain mining hardware drop below their cost.

As of July 31, 2018, US\$183.5 million of our inventory of US\$887.2 million as of June 30, 2018 was subsequently utilized.

The following table sets forth our inventory turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
Inventory turnover days <sup>(1)</sup>	135	97	83	144	72

*Note:*

- (1) Inventory turnover days for a period equals the average of the opening and closing balances of the carrying amount of the inventory of the indicated period divided by the cost of sales for such period and multiplied by the number of days in such period, being 365 days for a full-year period or 180 days for a six-month period.