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Post Hearing Information Pack of

ZX Inc. 中旭未来

(the “Company”)

(incorporated in the Cayman Islands with limited liability)

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(incorporated in the Cayman Islands with limited liability)

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Number of [REDACTED]	:	[REDACTED] Shares (subject to reallocation)
Number of [REDACTED]	:	[REDACTED] Shares (subject to reallocation and the [REDACTED])
Maximum [REDACTED]	:	HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, and AFRC Transaction Levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
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EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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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. Moreover, there are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set out in “Risk Factors.” You should read the entire document carefully before you decide to invest in the [REDACTED].

OUR BUSINESS MODEL

We are a publisher of online game products in China. We are devoted to marketing and operating online games (in particular mobile games) in China. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. The top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022.

Since our inception, we have enabled marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023. We maintained an average of five years of business relationships with our five largest game developer clients during the Track Record Period. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. For the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated. During the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. In addition to game products, we also provide marketing services in relation to online literature products.

Furthermore, the end-user insights we accumulate allow us to spot other needs of end-users. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand “Zha Zha Hui” (渣渣灰) and pop toy brand “Bro Kooli.” As exemplified by the launch of our instant food brand “Zha Zha Hui” in 2020, we continuously capture and analyze valuable end-user behavior and performance data in connection with the popular RPG game products we market and operate. Additionally, we launched Bro Kooli, a self-developed trendy pop toy with a broccoli-like head, to capture the growth in the pop toy market.

Why Our Clients Choose Us

Our roots trace back to the beginnings of marketing and operating web-page game products for game developers. Many game developers lack resources, expertise and access to support the marketing and operation of a game product developed by them on their own. In particular, game developers may have limited access to marketing and monetization tools required to operate a successful lifecycle for the game products they develop. Our history provides us with substantial experience that we leverage to attract and retain reputable game developers and identify game products with potential to realize a longer lifecycle. Our expertise in monetization of online games and marketing analytics technologies has enabled us to navigate our clients through the

SUMMARY

entire life journey of their game products, covering product evaluation, precision marketing, in-depth operation and brand development. Please see “—Our Core Competitive Edges” for a detailed description of our precision marketing, in-depth operation and brand development capabilities.

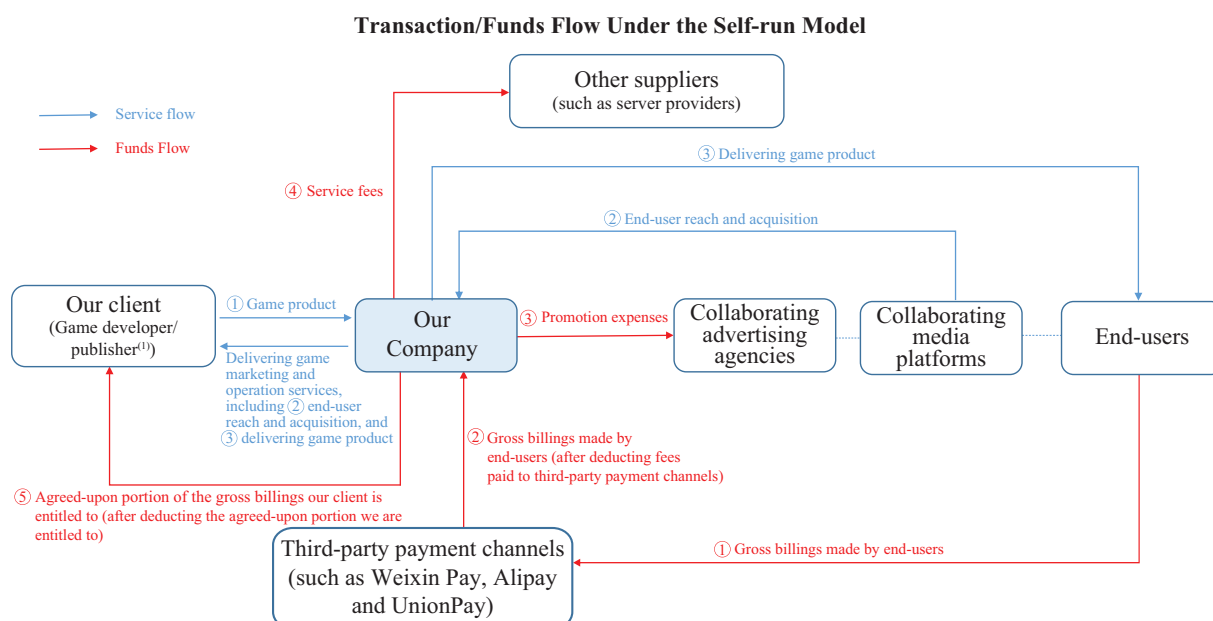
We collaborate with talented game development teams of our clients, providing our expertise, technological resources, customer service, marketing strategy and other services to achieve a successful outcome. In addition, compared with advertising agencies and media platforms, which typically serve as a standalone marketing or distribution channel as part of our overall marketing strategy for a particular game product, we have accumulated a set of assets, capabilities and business processes to bring online game products to Chinese players. Please see “— Our Online Game Publishing Business and Other Marketing Business” for a detailed description of our service process. We believe our model is differentiated from competitors, will be challenging to replicate because we have developed our service and technology infrastructure and know-how over our experience with online games, and strengthens our ability to deliver business predictability and sustainability.

How We Run Our Business

Operation models of our online game publishing business

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game product we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms.

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the self-run model:



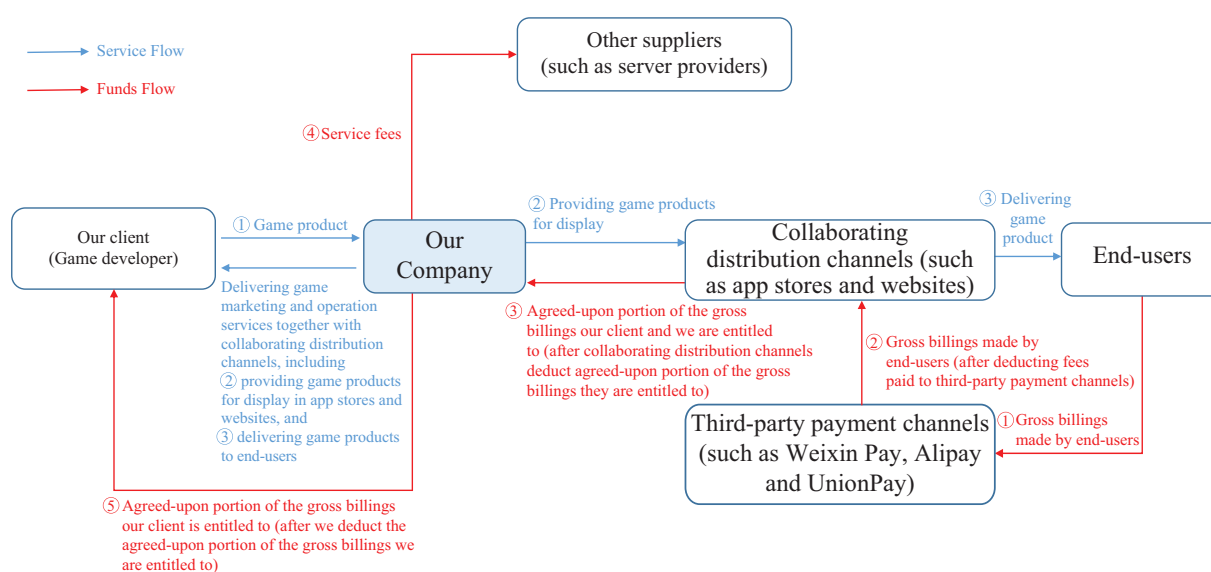
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Note:

- (1) We provide marketing and operation support services to a small number of third-party game publishers for which we charge a service fee. We collect gross billings paid by end-users (after deducting fees paid to third-party payment channels) on behalf of such game publishers and charge service fees based on a certain percentage of the gross billings. See also “Business — Our Business Model — How Our Business Generates Revenue” and “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the joint-run model:

Transaction/Funds Flow Under the Joint-run Model



Under the self-run model, we enable precision marketing, in-depth operation and brand development of the game products utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions. Under this model, we integrate all the components of our service flow for the particular game products we market and operate, and utilize our internal resources to execute all the steps along this service process, depending on the particular needs of the product.

Under the joint-run model, we leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game product. These collaborating distribution channels are mainly mobile application stores, through which we can further increase the coverage of end-users. In other words, we draw upon a portion of product distribution and end-user acquisition capabilities from external sources and channels, which also allow the end-users to experience the game product through such external channels on the mobile end.

During the Track Record Period, a substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%,

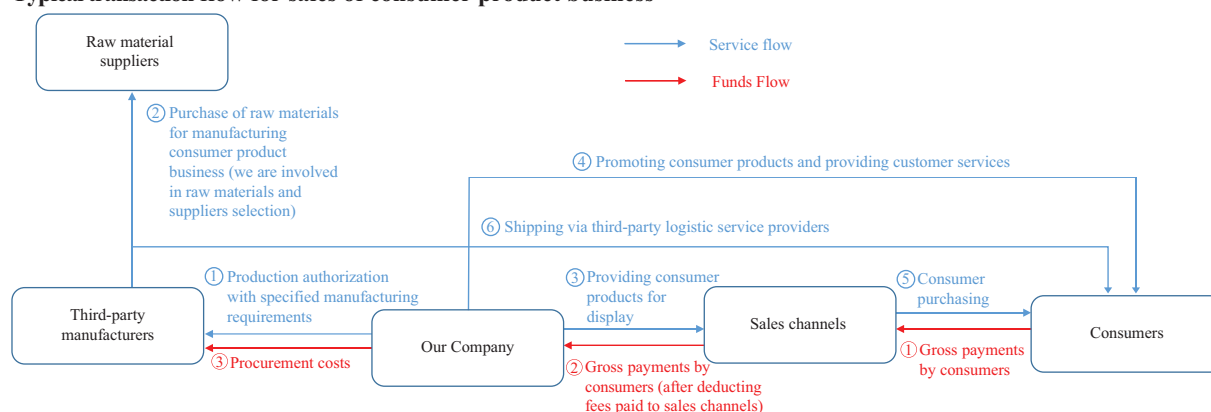
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82.8%, 72.2%, 73.0% and 65.1% our revenue from our online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. In the meantime, revenue from marketing and operating online game products attributable to the joint-run model increased quickly as a general trend. Revenue from marketing and operating online game products attributable to the joint-run model was RMB453.3 million, RMB977.2 million, RMB2,383.8 million, RMB753.9 million and RMB814.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively, accounting for 15.8%, 17.2%, 27.8%, 27.0% and 34.9% of our revenue from our online game publishing business during these periods, respectively. The breakdown of our revenue by business model (i.e., self-run and joint-run model) may affect our results of operations. For example, as our gross profit margin under the joint-run model is generally lower compared to that under the self-run model, our overall gross profit margin may decline if a higher portion of our revenue is derived from the joint-run model. See “Risk Factors — Risks Relating to Our Business and Industry — The breakdown of our revenue by business model may affect our financial performance and results of operations.” For a detailed discussion on how our profitability may be affected by the differences between the two business models, see “Business — How Our Business Generates Revenue.”

Operation models of our consumer product business

Set forth below is a diagram illustrating a typical transaction/funds flow of our consumer product business:

Typical transaction flow for sales of consumer product business



How Our Business Generates Revenue

Revenue model for our online game publishing business

Most of the online games that we market or operate are under free-to-play basis whereby players can play the game free of charge or are charged for purchase of virtual items in the game, such as currency, avatars, property, powers, tools and gifts. Such payments are generally non-refundable and non-cancellable.

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Business Model for Game Products Authorized from Third Parties

We run our online game publishing business primarily through two operation models, self-run and joint-run. For details, see “— How We Run Our Business — Operation models of our online game publishing business.”

In exchange for our provision of the related services, we charge the client (game developer or publisher) a service fee as a percentage of the gross amounts that the end-users pay for the purchase of the virtual items in the game. We recognize the service revenue on a net basis which equals to the gross amounts collected from the end-users less the amounts shared by the game developer or publisher when the end-users pay for purchase of the in-game virtual items and when such amounts are determinable. The service fees we charge as a percentage of the total gross billings are negotiated individually and vary across individual clients and game products we market and operate under different models. According to Frost & Sullivan, the factors we take into consideration in determining the percentage of service fees including features, estimated commercial value and the business arrangements such as service scope and exclusivity, and the average service fees we were entitled to as a percentage of gross billings during the Track Record Period, are in line with the market practice. For details, see “Business — Our Business Model — How Our Business Generates Revenue.”

Under the self-run model for marketing and operating game products authorized by third party game developers, the service fee we were entitled to receive as a percentage of the total gross billings generally ranged between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. In 2020, 2021, 2022 and the four months ended April 30, 2023, the average service fee we were entitled to receive under the self-run model as a percentage of the total gross billings was 86%, 80%, 82% and 81%, respectively. The remaining gross billings typically go to game developer clients. We charge these game publishers a service fee based on a certain percentage of the gross billings that end-users pay for in-game virtual items, which generally ranged between 5% and 15% during the Track Record Period, with an average service fee of approximately 12%. In 2020, 2021, 2022 and the four months ended April 30, 2023, the average service fee we were entitled to receive for marketing and operating game products authorized by third-party game publishers under the self-run model as a percentage of the total gross billings was 11%, 13%, 15% and 15%, respectively.

Under the joint-run model for marketing and operating game products authorized by third party game developers, the service fee we were entitled to receive as a percentage of the total gross billings was generally in line with that under the self-run model, i.e., ranging between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. In 2020, 2021, 2022 and the four months ended April 30, 2023, the service fee we were entitled to receive for marketing and operating game products authorized by third-party game developers under the joint-run model as a percentage of the total gross billings was 86%, 80%, 82% and 81%, respectively. Pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 92% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, the service fee we were entitled to receive (excluding the portion our game developer clients are

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entitled to) as a percentage of the total gross billings generally ranged between 2% and 42% during the Track Record Period, with an average service fee of approximately 20%. The average percentage of gross billings withheld by and attributable to collaborating distribution channels was 61%, 59%, 64% and 61% in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively.

Business Model for Self-owned Game Product

During the Track Record Period, we operated Legend of Guyun (古雲傳奇) after we acquired its full ownership in January 2022. Prior to our acquisition of its full ownership, this game product had been marketed and operated by us pursuant to an authorization from the then-third party game developer.

Since our acquisition of the full ownership of this game product, we have been solely responsible for the game product development, maintenance, price setting and game server, and we consider ourselves as the principal of the game product and the end-users as the customers. We are obligated to provide ongoing services to the end-users who make payments to gain an enhanced game-playing experience over the playing period, and accordingly we recognized the revenue ratably over the estimated average playing period of these paying end-users (“Player Relation Period”), starting from the point in time when the purchase of in-game virtual items is made, and all the other revenue recognition criteria are met. We estimate the Player Relation Period of a game based on historical data statistics of the paying players and reassess such period semi-annually.

Legend of Guyun is also operated under joint-run and self-run model. Under the self-run model, we are entitled to receive the total gross billings as our fees. Under the joint-run model, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 94% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, we were entitled to receive a percentage of the total gross billings generally ranged between 6% and 60% during the Track Record Period, with an average service fee of approximately 11%.

Customers under our online game publishing business

Under each of the self-run model and the joint-run model, so long as we market and operate a game product pursuant to a business arrangement under which the related game developer or publisher authorizes us to conduct marketing and operation, as applicable, we consider such game developer or publisher as our client and regard ourselves as the agent of such game developer or publisher in dealing with the end-users of the game product.

The gross profit for game products operated under the self-run model was RMB2,312.4 million, RMB4,458.5 million, RMB5,896.5 million, RMB1,941.4 million and RMB1,424.9 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit for game products operated under the joint-run model was RMB126.1 million, RMB235.1 million, RMB387.9 million, RMB134.5 million and RMB159.2 million in

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2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. The gross profit margin for game products operated under the self-run model remained relatively stable at 95.6%, 94.9%, 95.4%, 95.1% and 93.9% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit margin for game products operated under the joint-run model was 27.8%, 24.1%, 16.3%, 17.8% and 19.5% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

Revenue model for our other marketing business

We also provide marketing services for developers of non-gaming applications (mainly online literature products). We consider the third-party literature content providers as our client and ourselves as an agent in the arrangement with both the third-party content providers and the online literature readers. We charge the client (content provider) a service fee as a percentage (generally ranged between 85% and 95%) of the gross amounts that the online literature readers pay for the subscription of the online literature product. We recognize the service revenue on a net basis which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable. We generally determine the service fee based on features and estimated commercial value of the online literature product and the business arrangements between the content provider and us.

Revenue model for our consumer product business

We sell rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” to the end consumers over third-party online retail platforms and to the distributors. Revenue from the sale of such consumer products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt and acceptance of products. We generally determine the selling price based on the cost of procurement and production and our arrangement with third-party online retail platforms or local distributors.

Our Game Product Portfolio

The game products developed by our clients and operated by us are delivered to players in China under the “Tan Wan” brand. During the Track Record Period, our game product portfolio primarily consisted of games developed by developers of different sizes. The game products we market and operate are typically long-lasting in nature and are featured with fun and creative characteristics. In addition, we upgrade and release new features with customized elements targeting different end-user groups. By doing this, we are able to reach a broad and active player base and foster long-term end-users retention for game developers.

Since our inception, we have marketed and operated over 310 game products. As of April 30, 2023, we had 90 game products in operation. We expect the portfolio of the game products we market and operate to expand in the foreseeable future as we continue to develop and solidify business relationships with game developers.

SUMMARY

The table below sets forth the number of the game products in operation, newly launched and terminated during the Track Record Period and up to the Latest Practicable Date.

	For the Year Ended			For the Four Months Ended	Subsequent to April 30, 2023 and up to the Latest Practicable Date
	December 31,			April 30,	
	2020	2021	2022	2023	Date
Number of Games					
Total					
In operation at the beginning of the year/period . . .	59	49	71	105	90
Newly launched	24	73	101	22	17
Terminated ⁽¹⁾	(34)	(51)	(67)	(37)	(14)
In operation at the end of the year/period	49	71	105	90	93

Note:

- (1) Game products are terminated based on following criteria: (i) the lifecycle of a game product comes to an end; and (ii) the test data of a game product does not meet our standard.

As of the Latest Practicable Date, we had 93 game products in operation. As of the same date, the remaining useful life of the game products in operation ranged from less than one year to eight years.

In addition, we measure the performance of the game products we marketed and operated as a whole by the following key operating metrics: (i) average MAUs, (ii) average MPUs, (iii) average monthly ARPPU, (iv) retention rate of active users (“AUs”), (v) retention rate of paying users (“PUs”), (vi) conversion rate of PUs from AUs, (vii) gross profit, (viii) gross profit margin, (ix) acquisition cost per new user, (x) total cumulative registered players, and (xi) number of PUs. The following table sets forth these operating metrics during the Track Record Period.

	For the Year Ended December 31,			For the Four Months Ended
	December 31,			April 30,
	2020	2021	2022	2023
Average MAUs (in thousands)	5,093.2	7,165.8	10,003.2	9,404.0
Average MPUs (in thousands)	660.6	1,121.7	1,770.4	1,165.8
Average monthly ARPPU (RMB)	362.2	421.5	403.4	500.2
Retention rate of AUs ⁽¹⁾ (%)	7.5	10.1	8.1	5.4
Retention rate of PUs ⁽¹⁾ (%)	8.2	10.3	8.2	3.5
Conversion rate of PUs from				
AUs ⁽²⁾ (%)	13.0	15.7	17.7	12.4
Gross profit (RMB in thousands)	2,438,490	4,693,598	6,284,427	1,648,604
Gross profit margin (%)	84.9	82.7	73.4	67.3
Acquisition cost per new user ⁽³⁾ (RMB)	37.4	58.3	42.6	20.5

SUMMARY

	As of December 31,			As of
	2020	2021	2022	April 30, 2023
Number of cumulative registered end-users ⁽⁴⁾ (in millions)	167.2	230.5	356.1	418.0
Number of PUs ⁽⁵⁾ (in millions)	4.9	9.6	15.2	3.5

Notes:

- (1) The retention rate of AUs or PUs is the percentage of the AUs or PUs we had in the previous calendar year or corresponding period that we continue to retain during the current calendar year or period, as applicable.
- (2) The conversion rate of PUs from AUs represents the ratio of MPUs to MAUs in a given period.
- (3) The acquisition cost per new user represented the marketing and promotion expenses incurred for acquiring a new game user for a game product we marketed and operated in a given period.
- (4) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each period.
- (5) The number of PUs are calculated as of the end of each period.

During the Track Record Period, the fluctuation in our retention rates and churn rates (the latter calculated as 100% minus our retention rates for the respective year/period) were mainly affected by our marketing and promotion activities and the lifecycle stages of the game products in operation, among other factors. For example, our retention rate of AUs and PUs increased in 2021, and our churn rate decreased accordingly, primarily because we enhanced our advertising campaigns and marketing efforts towards the end of 2020 to promote our game products. Our retention rate of AUs and PUs decreased in 2022 as compared to 2021 mainly because the expansion of end-user coverage leveraging our efforts in increasing exposure of certain newly-launched online game products in 2021 had lower retention rate, which was in line with industry trend for marketing and operating newly-launched game products according to Frost & Sullivan. According to the same source, the retention rate of AUs and PUs fluctuate during the lifecycle of a game product is in line with industry norm.

SUMMARY

The following table summarizes the revenue recognition and game developers of the five game products that contributed the most to our revenue in each year/period during the Track Record Period.

<u>Top five game products</u>	<u>Game developer/ publisher</u>	<u>Revenue (RMB in thousands)</u>
<i>For the year ended December 31, 2020</i>		
Game A	Client A ⁽¹⁾	1,480,019.4
Game B	Client B ⁽¹⁾⁽²⁾	387,506.2
Game C	Client C ⁽¹⁾	273,843.0
Game D	Client E ⁽¹⁾⁽²⁾	168,717.0
Game E	Client D ⁽¹⁾	148,603.6
Total		2,458,689.2
Percentage of total revenue		85.6%
<i>For the year ended December 31, 2021</i>		
Game A	Client A ⁽¹⁾	1,370,291.1
Game F	Client B ⁽¹⁾⁽²⁾	1,243,747.0
Game B	Client B ⁽¹⁾⁽²⁾	1,047,618.8
Game G	Client C ⁽¹⁾	813,804.5
Game H	Client C ⁽¹⁾	304,656.4
Total		4,780,118.8
Percentage of total revenue		83.3%
<i>For the year ended December 31, 2022</i>		
Game I	Client F ⁽¹⁾	1,547,625.7
Game J	Client C ⁽¹⁾	1,309,111.5
Game A	Client A ⁽¹⁾	1,145,595.1
Game B	Client B ⁽¹⁾⁽²⁾	1,108,298.6
Game F	Client B ⁽¹⁾⁽²⁾	640,526.1
Total		5,751,157.0
Percentage of total revenue		65.2%
<i>For the four months ended April 30, 2023</i>		
Game B	Client B ⁽¹⁾⁽²⁾	386,313.3
Game I	Client F ⁽¹⁾	343,110.8
Game A	Client A ⁽¹⁾	267,090.4
Game K	Client C ⁽¹⁾	199,686.3
Game F	Client B ⁽¹⁾⁽²⁾	148,436.3
Total		1,344,637.1
Percentage of total revenue		54.9%

Note:

(1) Game developer

(2) Game publisher

SUMMARY

See “Business — Our Online Game Publishing Business and Other Marketing Business — Our Game Product Portfolio” for details of the operating metrics of the five game products that contributed the most to our revenue in each year/period during the Track Record Period.

Financial Performance of Our Business

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we generated a revenue of RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7 million and RMB2,448.3 million, respectively. For the four months ended April 30, 2022 and 2023, we generated a profit of RMB124.6 million and RMB242.1 million, respectively. The increase was primarily due to the increase of other income and gains in the first four months of 2023 primarily as we recognized investment income of financial assets at FVTPL from the sale of equity interests in a listed company and the decrease of selling and distribution expenses, mainly because certain game products entered into a later stage of their lifecycle, resulting in less marketing and promotion expenses as well as less revenue. In 2021 and 2022, we generated a profit of RMB616.4 million and RMB491.5 million, respectively. Our profit in 2022 slightly decreased as compared to 2021, primarily due to a decrease in our gross profit margin, which is attributable to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue, the decrease in the gross profit margin for game products operated under the joint-run model, and an increase in our selling and distribution expenses to promote our newly launched games, which may not contribute greatly to our revenue until a relatively later stage. In particular, a significant portion of our profit in 2022 resulted from other income and gains, which amounted to RMB292.6 million. Our other income and gains in 2022 primarily reflected our bank deposit interests. We recorded a loss of RMB1,301.1 million in 2020.

Substantially all of our revenue from the online game publishing business and other marketing business during the Track Record Period was generated from marketing and operating game products. During the Track Record Period, the substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%, 82.8%, 72.2%, 73.0% and 65.1% of our revenue from our online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our revenue generated from consumer product business amounted to nil, RMB30.3 million, RMB215.8 million, RMB35.5 million and RMB81.8 million, accounting for nil, 0.5%, 2.4%, 1.1% and 3.2% of our total revenue, respectively.

Our Market Opportunity

China has been the world’s largest market of online games in terms of gross billings since 2015. The market size of the online game market in China in terms of user spending increased from RMB210.4 billion in 2018 to RMB288.3 billion in 2022 at a CAGR of 8.2% and is expected

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to reach RMB392.1 billion in 2027, representing a CAGR of 6.3% from 2022 to 2027. Online games can be classified as PC games and mobile games depending on the operating device and mobile games accounted for 83.3% of the online game market in 2022 in terms of user spending. According to Frost & Sullivan, China’s mobile game market grew rapidly in terms of user spending at a CAGR of 11.0% from RMB158.0 billion in 2018 to RMB240.2 billion in 2022 and is expected to reach RMB343.0 billion in 2027, representing a CAGR of 7.4% from 2022 to 2027. The mobile game market has dominated the combined online game market in China, with a revenue share of over 83.3% in 2022 and is expected to continue dominating the online game market, with the revenue share further increased to 87.5% in 2027. The shift towards online game play, along with in-game monetization and marketing analytics technologies, have transformed the way consumers interact with video games.

According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. The top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022. We believe success in delivering a highly engaging consumer experience results from use of our proprietary technologies and expertise accumulated through our continued refinement of our insights.

Key drivers that contribute to the growth of the mobile game industry in which we operate include: (i) increasing demand for innovative and quality game products; (ii) increasing importance of comprehensive marketing and operating capabilities; (iii) increasing consumption and willingness to pay by mobile game players; (iv) development of technology infrastructure and (v) overseas markets exploration. In addition, there are significant entry barriers and challenges in the mobile game industry in China, including: (i) relationships with business partners; (ii) brand awareness and end-user base; (iii) knowledge of end-user preference and market trends; (iv) technology know-how and (v) emerging mobile game marketing, operation and distribution methods.

See “Industry Overview” for a detailed description of the competitive landscape of the industry we operate in.

Our Clients and Suppliers

During the Track Record Period, our clients primarily consisted of developers of game products. We review our clients on a regular basis. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our five largest clients in each year/period contributed to approximately 92.0%, 95.2%, 80.4% and 78.1% of our total revenue for the same year/period, respectively. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our largest client in each year/period contributed to 48.6%, 43.9%, 31.7% of and 32.0% our total revenue for the same year/period, respectively.

During the Track Record Period, our suppliers primarily consisted of third-party advertising, marketing and channel distribution service agencies or providers. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our five

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largest suppliers in each year/period contributed to approximately 56.1%, 64.5%, 59.0% and 53.4% of our total purchases for the same year/period, respectively. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our largest supplier in each year/period contributed to 28.0%, 24.8%, 24.4% and 16.3% of our total purchases for the same year/period, respectively.

Our Major Collaborating Media Platforms

We rely on certain collaborating media platforms in promoting our games and in acquiring new users. We incurred approximately 58.3%, 87.8%, 84.5% and 83.8% of our total selling and marketing expenses for 2020, 2021, 2022 and the four months ended April 30, 2023, respectively, to promote the game products we market and operate via our top five collaborating media platforms in each year/period of the Track Record Period, and 30.2%, 52.3%, 53.8% and 51.0% of our total selling and marketing expenses for 2020, 2021, 2022 and the four months ended April 30, 2023, respectively, to the largest collaborating media platform.

Please see “—Our Clients and Suppliers” for more information on our five largest clients and suppliers during the Track Record Period and “—Summary of Key Terms of Framework Service Agreements With Our Clients” and “—Summary of Key Terms of Collaboration Agreements with Our Suppliers” for more information on our business arrangements with our clients and suppliers.

Massive Player Network and Loyal End-User Base of Game Products Operated by Us

Our clients, primarily game developers, rely on us to leverage our expertise in monetization of online games and marketing analytics technologies to attract and retain end-users for the game products they develop. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). The Tan Wan brand has amassed and nurtured a vibrant Tan Wan community of players on various game products that we market and operate. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users.

We take the following measures to create and maintain a vibrant Tan Wan community for players.

First, as an important component of our strategy to elevate user experience, we pay particular attention to the needs of middle-aged adult players, who we believe represent a nostalgia-driven and brand-conscious group that acknowledges value from game products with a longer lifecycle potential and poised to expand their purchasing power because of the superior user experience.

Second, we focus heavily on building long-term relationships with these players, and in particular on our ability to retain them over the long term. We have a track record of attracting our audience to new games and retaining them within our network. Our technology infrastructure allows us to actively manage and prioritize these communications to our audience in a way that increases the long-term value of our network. We believe our end-user base to be one of the largest of its kind in the mobile game industry.

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Third, we highly value players’ feedback on the game products we market and operate. We proactively seek players’ feedback on the game products we market and operate through organizing online and offline player activities to enhance players’ sense of belonging and identification with us.

Fourth, we attract players to our Tan Wan community through our various tailored precision marketing strategies, and we retain players by organizing activities and encouraging player interactions via our official accounts on various social media platforms. We also proactively seek players’ feedback on the games we market and operate and organize online and offline player activities to enhance players’ sense of belonging and identification with us.

User Concentration and Our Mitigating Measures

Due to our strategies to constantly engage and retain core group of end-users who demonstrate high paying potential and substantial purchasing capabilities, gross billings contributed from our top 1% paying users accounted for 55.4%, 60.2%, 60.1% and 49.8%, respectively, of our total gross billings in 2020, 2021, 2022 and the four months ended April 30, 2023.

We have adopted a comprehensive approach in effectively mitigating revenue concentration from a small number of paying end-users. First, we ensure that the game products we market and operate are diversified across various metrics, resulting in a different user base for each particular game product. Second, our in-depth operation capabilities aim to address end-user churn and facilitate a more diversified end-user base. Notably, our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings, enabling us to create a more diversified end-user base. Third, we from time to time proactively solicit feedback on gaming experience with existing end-user and take their changing needs into consideration when selecting, marketing and operating new game products. Fourth, we continually try to expand the end-user base by conducting marketing campaigns of the game products we operate through different channels and in different geographic locations.

For details, see “Business — Our Online Game Publishing Business and Other Marketing Business — Massive Player Network and Loyal End-User Base.”

Our Core Competitive Edges

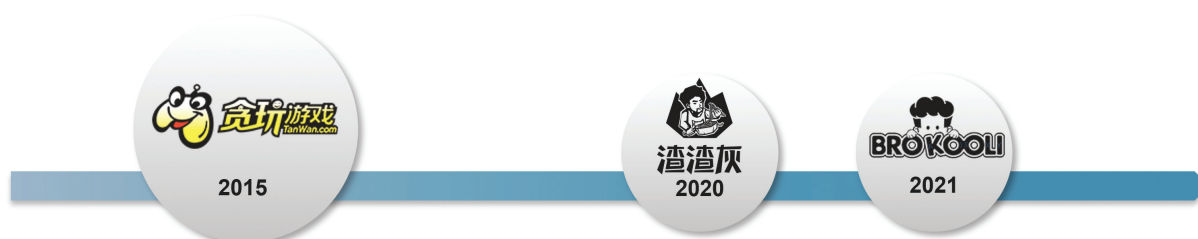
We attribute our continued growth to several distinguishing elements.

Precision Digital Marketing Capabilities. Efficient precision digital marketing is our core competence. Benefitting from the insights accumulated from the mobile game industry and our data-driven decision-making technology platforms, namely the Hetu (河圖) and Luoshu (洛書) systems, we can accurately allocate marketing resources and pinpoint suitable end-user traffic acquisition and management strategies through real-time minute-based data.

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In-depth Operation Capabilities. We believe our full lifecycle game product operation enhancement capabilities set us apart from our competitors. We provide in-depth operation for the game products we market and operate throughout their lifecycle. For example, we initially advise our clients on game product design, product optimization, launch schedules and promotion strategies based on online testing results. We believe our in-depth operation capabilities deepen our relationships with our clients and foster long-term cooperation.

Brand Development Capabilities. Our brand development capabilities are two-fold. First, we distinguish ourselves from our competitors by providing tailored brand development solutions to our clients, in particular, developers of mobile game products. Second, benefitting from our continued success in end-user acquisition and retention, more end-users have begun to recognize our own brand. This, in turn, provides us with an opportunity to create and develop our own consumer product brands, such as the instant food brand established in late 2020 — “Zha Zha Hui.” We are working on cultivating our own brands across industries based on the latest consumer preferences and trends and with highly recognizable characters.



SUMMARY OF KEY FINANCIAL INFORMATION

This summary of the key financial information set forth below have been derived from and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the Accountants’ Report in Appendix I to this document, as well as the information set forth in the section headed “Financial Information.”

SUMMARY

Summary of Consolidated Statements of Profit or Loss

The following table sets forth summary data from our consolidated statements of profit or loss in absolute amounts and as percentages of the total revenue for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023.

	For the Year Ended December 31,			For the Four Months Ended April 30,						
	2020	2021	2022	2022	2023					
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Revenue	2,872,393	100.0%	5,735,718	100.0%	8,817,221	100.0%	2,846,654	100.0%	2,448,345	100.0%
Cost of sales	(433,029)	(15.1)%	(997,359)	(17.4)%	(2,407,531)	(27.3)%	(738,374)	(25.9)%	(799,741)	(32.7)%
Gross profit	2,439,364	84.9%	4,738,359	82.6%	6,409,690	72.7%	2,108,280	74.1%	1,648,604	67.3%
Other income and gains	130,479	4.5%	120,056	2.1%	292,600	3.3%	87,379	3.1%	396,629	16.2%
Selling and distribution expenses	(1,916,710)	(66.7)%	(3,851,197)	(67.1)%	(5,622,406)	(63.8)%	(1,919,143)	(67.4)%	(1,391,649)	(56.8)%
Administrative expenses	(1,349,545)	(47.0)%	(106,779)	(1.9)%	(175,696)	(2.0)%	(44,127)	(1.6)%	(85,796)	(3.5)%
Research and development costs	(472,383)	(16.4)%	(136,948)	(2.4)%	(157,738)	(1.8)%	(47,289)	(1.7)%	(57,686)	(2.4)%
Profit/(Loss) before tax	(1,223,845)	(42.6)%	680,131	11.9%	601,575	6.8%	139,101	4.9%	356,759	14.5%
Profit/(Loss) for the year/period	<u>(1,301,103)</u>	<u>(45.3)%</u>	<u>616,441</u>	<u>10.7%</u>	<u>491,522</u>	<u>5.6%</u>	<u>124,583</u>	<u>4.4%</u>	<u>242,104</u>	<u>9.9%</u>
Attributable to:										
Owners of the parent	(1,301,103)	(45.3)%	615,911	10.7%	514,067	5.8%	124,732	4.4%	219,959	9.0%
Non-controlling interests	—	—	530	0.0%	(22,545)	(0.2)%	(149)	(0.0)%	22,145	0.9%

Adjusted Profit (Non-HKFRS Measure)

To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use the adjusted profit (Non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRS measure facilitates comparisons of operating performance from period to period and provides useful information to [REDACTED] and others to understand and evaluate our consolidated results of operations in the same manner as our management.

We also believe that the non-HKFRS measures are appropriate for evaluating our operating performance. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, this non-HKFRS measure may not be comparable to similar measures presented by other companies.

We define the adjusted profit (Non-HKFRS measure) as the profit/(loss) for the year/period, excluding the share-based compensation and [REDACTED] expenses. Share-based compensations are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made during the Track Record Period. In addition, we exclude [REDACTED] expenses, as this item, which arises from activities relating to the [REDACTED].

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The following table sets forth the reconciliations of our non-HKFRS measure for the years/period indicated with the nearest measured prepared in accordance with HKFRS:

	For the Year Ended			For the Four	
	December 31,			Months Ended	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
Reconciliation of profit/(loss) to adjusted profit					
(Non-HKFRS measure)					
Profit/(Loss) for the year/period	(1,301,103)	616,441	491,522	124,583	242,104
Add:					
Share-based compensation	1,816,114	—	42,883	—	70,599
[REDACTED] expenses	—	11,148	25,679	6,799	17,486
Adjusted profit (Non-HKFRS measure)	<u>515,011</u>	<u>627,589</u>	<u>560,084</u>	<u>131,382</u>	<u>330,189</u>

Revenue

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our revenue amounted to RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7 million and RMB2,448.3 million, respectively. For details of the components of our revenue, see “Financial Information — Description of Major Components of Our Results of Operations — Revenue.” The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the years/periods indicated:

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Online Game Publishing										
Business and Other Marketing										
Business										
Game products operated under the self-run model	2,418,164	84.2%	4,695,963	81.9%	6,179,622	70.1%	2,040,680	71.7%	1,517,627	62.0%
— Collaboration with game developers	2,162,567	75.3%	4,597,273	80.2%	5,563,803	63.1%	1,831,877	64.4%	1,362,975	55.7%
— Collaboration with game publishers	255,597	8.9%	98,690	1.7%	85,586	1.0%	29,001	1.0%	28,011	1.1%
— Self-owned game	—	—	—	—	530,233	6.0%	179,802	6.3%	126,641	5.2%
Game products operated under the joint-run model	453,343	15.8%	977,156	17.0%	2,383,819	27.0%	753,932	26.5%	814,826	33.3%
— Collaboration with game developers	453,343	15.8%	977,156	17.0%	1,768,457	20.1%	494,826	17.4%	674,377	27.5%
— Self-owned game	—	—	—	—	615,362	7.0%	259,106	9.1%	140,449	5.7%
Others	886	0.0%	32,271	0.6%	38,022	0.4%	16,502	0.6%	34,074	1.4%
Subtotal	<u>2,872,393</u>	<u>100.0%</u>	<u>5,705,390</u>	<u>99.5%</u>	<u>8,601,463</u>	<u>97.6%</u>	<u>2,811,114</u>	<u>98.8%</u>	<u>2,366,527</u>	<u>96.7%</u>
Consumer Product Business	<u>—</u>	<u>—</u>	<u>30,328</u>	<u>0.5%</u>	<u>215,758</u>	<u>2.4%</u>	<u>35,540</u>	<u>1.2%</u>	<u>81,818</u>	<u>3.3%</u>
Total	<u>2,872,393</u>	<u>100.0%</u>	<u>5,735,718</u>	<u>100.0%</u>	<u>8,817,221</u>	<u>100.0%</u>	<u>2,846,654</u>	<u>100.0%</u>	<u>2,448,345</u>	<u>100.0%</u>

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Our revenue increased significantly from RMB2,872.4 million in 2020 to RMB5,735.7 million in 2021, and further increased by 53.7% to RMB8,817.2 million in 2022. The increase in our revenue was primarily driven by an increase of our revenue generated from the online game publishing business and other marketing business for the game products we market and operate under the self-run and joint-run models, which was primarily attributable to the launch, marketing and operation of new game products, and continuous operation and performance of existing game products in the respective year. Our revenue decreased by 14.0% from RMB2,846.7 million for the four months ended April 30, 2022 to RMB2,448.3 million for the four months ended April 30, 2023, primarily reflecting a decrease in revenue we generated from the online game publishing business and other marketing business under the self-run model mainly because certain game products entered into a later stage of their lifecycle. For details, please see “Financial Information — Period to Period Comparison of Results of Operations.”

Cost of Sales

Our cost of sales primarily consists of (i) commissions to collaborating distribution channels under the joint-run model, primarily including third-party application stores and game co-publishers; (ii) commissions to third-party payment channels; (iii) employee salaries associated with our system maintenance and customer service personnel that are directly involved in revenue generation; (iv) share-based compensation; (v) traffic acquisition fees to collaborating online media platforms directly associated with revenue generation; (vi) cost of goods, representing the cost of procuring rice noodle products under the brand “Zha Zha Hui”; and (vii) others, primarily including bandwidth and servers custody fees, depreciation and amortization expenses. For details, please see “Financial Information — Period to Period Comparison of Results of Operations.”

The table below sets forth a breakdown of our cost of sales by business line for the years/ periods indicated:

	For the Year Ended December 31,					For the Four Months Ended April 30,				
	2020		2021		2022	2022		2023		
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Online Game Publishing										
Business and Other										
Marketing Business										
Game products operated										
under the self-run model	105,730	24.4%	237,480	23.9%	283,102	11.7%	99,288	13.5%	92,734	11.4%
Game products operated										
under the joint-run model	327,287	75.6%	742,041	74.4%	1,995,912	82.9%	619,384	83.9%	655,604	82.0%
Others	12	0.0%	602	0.0%	556	0.1%	241	0.0%	586	0.2%
Subtotal	433,029	100.0%	980,123	98.3%	2,279,570	94.7%	718,913	97.4%	748,924	93.6%
Consumer Product Business	—	—	17,236	1.7%	127,961	5.3%	19,461	2.6%	50,817	6.4%
Total	433,029	100.0%	997,359	100.0%	2,407,531	100.0%	738,374	100%	799,741	100%

The cost of sales for game products operated under the self-run model primarily consists of (i) commissions to third-party payment channels; (ii) traffic acquisition fees; and (iii) others,

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primarily representing the bandwidth and servers custody fees in connection with our technology platforms, and employee salaries incurred under this model. The cost of sales for game products operated under the joint-run model primarily consists of (i) commissions to collaborating distribution channels; and (ii) others, primarily representing the bandwidth and servers custody fees in connection with our technology platforms, and employee salaries incurred under this model. The cost of sales for our consumer product business primarily consists of cost of goods, representing the cost of producing rice noodle products under the brand “Zha Zha Hui.” For details, see “Financial Information — Period to Period Comparison of Results of Operations.”

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business line for the years/periods indicated:

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
<i>(RMB in thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
Online Game Publishing Business and Other Marketing Business										
Game products operated under the self-run model	2,312,434	95.6%	4,458,483	94.9%	5,896,520	95.4%	1,941,392	95.1%	1,424,893	93.9%
Game products operated under the joint-run model	126,056	27.8%	235,115	24.1%	387,907	16.3%	134,548	17.8%	159,222	19.5%
Others	874	98.6%	31,669	98.1%	37,466	98.5%	16,261	98.5%	33,488	98.3%
<i>Subtotal</i>	<u>2,439,364</u>	<u>84.9%</u>	<u>4,725,267</u>	<u>82.8%</u>	<u>6,321,893</u>	<u>73.5%</u>	<u>2,092,201</u>	<u>74.4%</u>	<u>1,617,603</u>	<u>68.4%</u>
Consumer Product Business	—	—	13,092	43.2%	87,797	40.7%	16,079	45.2%	31,001	37.9%
Total	<u>2,439,364</u>	<u>84.9%</u>	<u>4,738,359</u>	<u>82.6%</u>	<u>6,409,690</u>	<u>72.7%</u>	<u>2,108,280</u>	<u>74.1%</u>	<u>1,648,604</u>	<u>67.3%</u>

In 2020, 2021 and 2022, our gross profit was RMB2,439.4 million, RMB4,738.4 million and RMB6,409.7 million, respectively. The increase of our gross profit from 2020 to 2022 was primarily due to the continuous operation of game products. For the four months ended April 30, 2022 and 2023, our gross profit was RMB2,108.3 million and RMB1,648.6 million, respectively. Such decrease primarily reflected a decrease in revenue we generated from online game publishing business and other marketing business under the self-run model mainly because certain game products entered into a later stage of their lifecycle.

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our gross profit margin was 84.9%, 82.6%, 72.7%, 74.1% and 67.3%, respectively. The decrease of our overall gross profit margin during the Track Record Period was primarily due to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue. For details, please see “Financial Information — Period to Period Comparison of Results of Operations.”

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Other Income and Gains

Our other income and gains primarily consist of (i) fair value gain on financial assets at fair value through profit or loss (FVTPL), primarily including our investments in wealth management products, listed equity investments and fund investments; and (ii) investment income from financial assets at FVTPL. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we recorded other income and gains of RMB130.5 million, RMB120.1 million, RMB292.6 million, RMB87.4 million and RMB396.6 million, respectively. Our other income and gains increased from RMB120.1 million in 2021 to RMB292.6 million in 2022, primarily due to (i) an increase of RMB95.7 million in interest income accrued on time deposits, which was in line with the increase in our time deposits for the same year and (ii) an increase of RMB31.2 million in VAT additional deduction and refunds, which were calculated as a percentage of the deductible input tax for the relevant period. Our other income and gains increased from RMB87.4 million for the four months ended April 30, 2022 to RMB396.6 million for the four months ended April 30, 2023, as we recognized investment income of financial assets at FVTPL from the sale of equity interests in a listed company. For details, see “Financial Information — Period to Period Comparison of Results of Operations.”

Profit/(Loss) for the Year/Period

In 2021, 2022 and the four months ended April 30, 2022 and 2023, we recognized profit of RMB616.4 million, RMB491.5 million, RMB124.6 million and RMB242.1 million, respectively. We recorded a loss of RMB1,301.1 million in 2020, primarily due to the share-based compensation of RMB1,816.1 million paid to our employees. In 2021, we recognized profit of RMB616.4 million primarily attributable to the launch, marketing and operation of new game products and continuous operation and performance of existing game products. Our profit decreased from RMB616.4 million in 2021 to RMB491.5 million in 2022 primarily due to a decrease in our gross profit margin, which is attributable to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue, and an increase in our selling and distribution expenses to promote our newly launched games, which may not contribute greatly to our revenue until a relatively later stage. In particular, a significant portion of our profit in 2022 resulted from other income and gains, which amounted to RMB292.6 million. Our other income and gains in 2022 primarily reflected our bank deposit interests. Our profit increased from RMB124.6 million for the four months ended April 30, 2022 to RMB242.1 million for the four months ended April 30, 2023, primarily due to the increase of other income and gains in the first four months of 2023 as we recognized investment income of financial assets at FVTPL from the sale of equity interests in a listed company and the decrease of selling and distribution expenses, mainly because certain game products entered into a later stage of their lifecycle, resulting in less marketing and promotion expenses and less revenue.

We expect to further improve our financial performance in the near future. In particular, we have adopted and plan to continue to adopt several measures to improve our financial position: (i) continue to develop and solidify business relationships with content provider to expand our

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game product portfolio and increase our bargaining power; (ii) continue to broaden and diversify the products offered to end-users, including game products, online literature products and consumer product; and (iii) further strengthen the depth of our cooperation with third party distribution channels and media platforms; and (iv) allocate more experienced employees to market newly launched game products.

Non-Controlling Interests

We recorded loss attributable to non-controlling interests of RMB22.5 million in 2022 due to losses incurred in our non-wholly owned subsidiaries, which mainly included Guangzhou Bajiyou, HK 9 Ring and Guangzhou Tanwan Mobile Game. These subsidiaries incurred loss in 2022 mainly due to the significant marketing expenses in connection with certain newly launched game products. The game operated by Guangzhou Bajiyou is mainly Blade of Freedom (自由之刃), which was launched in April 2022 and incurred significant marketing expenses in 2022. The games operated by HK 9 Ring are Legend of Ancient Times (上古傳奇) and War of Angels (天使之戰) which were launched in 2022 and incurred significant marketing expenses as the games are under the early stage of the lifecycle. Guangzhou Tanwan Mobile Game was newly incorporated in 2022 and engaged in game development, and incurred R&D and pre-operating expenses in 2022.

We recorded profit attributable to non-controlling interests of RMB22.1 million in the four months ended April 30, 2023, due to profit generated from our non-wholly owned subsidiaries, which mainly included Hainan Zhangwan and Guangzhou Bajiyou. These subsidiaries generated profit in the first four months of 2023 mainly due to the marketing and operation of certain game products, such as Blade of Freedom (自由之刃).

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Total current assets	2,288,759	3,792,038	5,617,497	6,319,336
Total non-current assets	1,573,353	2,766,389	4,181,409	3,892,961
Total current liabilities	3,062,453	5,189,978	7,889,966	8,043,147
Total non-current liabilities	137,477	194,218	199,904	156,211
Net current liabilities	(773,694)	(1,397,940)	(2,272,469)	(1,723,811)
Net assets	662,182	1,174,231	1,709,036	2,012,939
Non-controlling interests	—	(3,482)	(22,721)	(9,886)

Our net assets increased by 17.8% from RMB1,709.0 million as of December 31, 2022 to RMB2,012.9 million as of April 30, 2023, primarily attributable to the profit for the period of

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RMB242.1 million and an increase in share incentive reserve of RMB70.6 million. Our net assets increased by 45.5% from RMB1,174.2 million as of December 31, 2021 to RMB1,709.0 million as of December 31, 2022, primarily attributable to the profit for the year of RMB491.5 million and an increase in share incentive reserve of RMB42.9 million. Our net assets increased by 77.3% from RMB662.2 million as of December 31, 2020 to RMB1,174.2 million as of December 31, 2021, primarily attributable to the profit for the year of RMB616.4 million, partially offset by the dividends of RMB100.0 million paid to the then shareholders of a subsidiary. For details, see “Accountants’ Report — Consolidated Statements of Changes in Equity” in Appendix I to this document.

We recorded net current liabilities of RMB773.7 million, RMB1,397.9 million, RMB2,272.5 million and RMB1,723.8 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The increase in our net current liabilities from 2020 to 2022 was primarily because a significant portion of our pledged deposits used to secure our bills payables and interest-bearing bank borrowings were time deposits with a term exceeding one year and therefore recorded as non-current assets. Our pledged deposits increased significantly during the Track Record Period primarily due to the increase of bank acceptance bills issued by us as a result of our business expansion. To the extent our liquidity and working capital needs are met, we believe that time deposits, compared to demand deposits, can help us better utilize our idle cash by earning a higher interest. The non-current portion of our pledged deposits was RMB876.4 million, RMB2,022.2 million, RMB3,395.6 million and RMB3,006.1 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively.

As part of our cash management policy, we monitor our pledged bank deposits regularly and prepare a bi-weekly cash flow forecast to ensure that we are able to maintain an optimal level of liquidity and meet our working capital needs. We also allocate our cash between time deposits and demand deposits, including adjusting the maturity terms of the time deposits we make, in order to maintain a healthy liquidity and working capital position. For details on our net current liability position, including our cash management policy with respect to pledged deposits, see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities.”

Although we recorded net current liabilities during the Track Record Period, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document, taking into account the financial resources available to us, including our cash and cash equivalents on hand, internally generated funds, available facilities and the estimated [REDACTED] from the [REDACTED].

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Summary of Consolidated Statements of Cash Flow

The following table sets forth the components of our consolidated statement of cash flows for the years/periods indicated:

	For the Year Ended			For the Four Months	
	December 31,			Ended April 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Net cash (used in)/generated from operating activities	(301,527)	2,634,831	2,282,521	1,247,763	340,458
Net cash generated from/(used in) investing activities	689,727	(2,302,397)	(3,205,834)	(1,984,148)	56,497
Net cash (used in)/generated from financing activities	(25,462)	(32,298)	443,127	404,108	(211,107)
Net increase/(decrease) in cash and cash equivalents	362,738	300,136	(480,186)	(332,277)	185,848
Cash and cash equivalents at the beginning of the year/period	30,734	393,472	693,608	693,608	213,422
Cash and cash equivalents at the end of year/period	<u>393,472</u>	<u>693,608</u>	<u>213,422</u>	<u>361,331</u>	<u>399,270</u>

In 2021, 2022 and the four months ended April 30, 2022 and 2023, our net cash generated from operating activities was RMB2,634.8 million, RMB2,282.5 million, RMB1,247.8 million and RMB340.5 million, respectively. In 2020, our net cash used in operating activities was RMB301.5 million, which was primarily attributable to the decrease of RMB996.9 million in our bills payables, because we increased the use of cash as a settlement method and streamlined our selling and distribution activities in 2020 in response to the COVID-19 outbreak.

We had a net cash outflow position of RMB480.2 million in 2022, which was primarily due to the RMB3,205.8 million we used in investing activities, which was primarily attributable to an increase in our pledged time deposit and the purchase of financial assets at FVTPL, net the financial assets at FVTPL we disposed of.

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Key Financial Ratios

The following table sets forth the key financial ratios for the year/period and as of the dates indicated:

	For the Year Ended			For the Four Months Ended	
	December 31,			April 30,	
	2020	2021	2022	2022	2023
Total revenue growth (%)	(4.5)	99.7	53.7	—	(14.0)
Gross profit margin (%) ⁽¹⁾	84.9	82.6	72.7	74.1	67.3
Net profit margin (%) ⁽²⁾	(45.3)	10.7	5.6	4.4	9.9
Adjusted profit margin (Non-HKFRS measure) (%) ⁽³⁾	17.9	10.9	6.4	4.6	13.5

	As of			As of
	December 31,			April 30,
	2020	2021	2022	2023
Current ratio ⁽⁴⁾	0.7	0.7	0.7	0.8

Notes:

- (1) Gross profit margin equals gross profit divided by revenues for the year/period and multiplied by 100%.
- (2) Net profit margin equals (loss)/profit divided by revenues for the year/period and multiplied by 100%. We incurred a net loss of RMB1,301.1 million for the year ended December 31, 2020, primarily due to a one-off share-based compensation issued in 2020. The net profit margin for the year ended December 31, 2022 was 5.6%, compared to 10.7% for the year ended December 31, 2021, primarily due to the decrease in gross profit margin. The net profit margin for the four months ended April 30, 2023 was 9.9%, compared to 4.4% for the four months ended April 30, 2022, primarily due to the increase in other income and gains and the decrease in selling and distribution expenses.
- (3) Adjusted profit margin (Non-HKFRS measure) equals adjusted profit (Non-HKFRS measure) divided by revenues for the year/period and multiplied by 100%. The higher adjusted profit margin (Non-HKFRS measure) in 2020 was primarily due to a decrease in marketing and promotion expenses in 2020 as we streamlined and optimized our selling and distribution activities in response to the COVID-19 outbreak in 2020 and the delay of the launch times of certain game products for slower development progresses than expected as a result of the COVID-19 outbreak in early 2020. The adjusted profit margin (Non-HKFRS measure) for the year ended December 31, 2022 was 6.4%, compared to 10.9% for the year ended December 31, 2021, which was primarily due to the decrease in gross profit margin. The adjusted profit margin (Non-HKFRS measure) for the four months ended April 30, 2023, was 13.5%, compared to 4.6% for the four months ended April 30, 2022, which was primarily due to a higher net profit margin for the four months ended April 30, 2023, further adjusted by a one-off share-based compensation issued in the four months ended April 30, 2023.
- (4) Current ratio is calculated as total current assets divided by total current liabilities as of the dates indicated.

For details, see “Financial Information — Key Financial Ratios.”

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different [REDACTED] may have different interpretations and criteria when determining the

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significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to [REDACTED] in our Company. Some of the major risks that we face include:

- The mobile game industry is highly competitive. If we are unable to compete effectively with existing or new competitors, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we may fail to compete with and be driven out by the market leaders in the mobile game industry, given their dominant market share and position;
- we operate in a rapidly evolving and developing industry, which makes it difficult to evaluate our future prospects;
- our historical operating results may not be indicative of our future growth, and, if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected;
- our success and revenue growth depends on our ability to attract new clients and retain our existing clients;
- we may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations;
- if the game products that we market and operate fail to satisfy the preferences of end-users, our business, financial condition and results of operations may be materially and adversely affected;
- we are subject to concentration risk as a substantial portion of our revenue was generated from our major clients for marketing and operating game products;
- if we fail to obtain or maintain requisite approvals, licenses or permits applicable to our business, it may have a material and adverse effect on our business and results of operations; and
- we are subject to risks associated with our collaborating business partners. Any delay or failure by such parties to successfully perform their obligations, provide reliable or satisfactory services, or operate their businesses could adversely affect our business and results of operations.

SUMMARY OF ONGOING LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, neither we nor any of our Directors were involved in any actual or pending legal, arbitration or administrative proceedings, which, either individually or in the aggregate, will have a material adverse effect on our business, results of operations or financial condition. However, we are from time to time

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party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. For details of the relevant risks, please refer to “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.”

As of the Latest Practicable Date, we were subject to four ongoing IP-related lawsuits (Lawsuits A, C, D and E) in the PRC. Lawsuits A and C had been ruled partially in favor of the plaintiffs by the relevant lower courts and were pending before the appellate courts. We have received the final judgments for Lawsuit B and D, pursuant to which Lawsuit B had been closed and Lawsuit D was under enforcement procedures as of the Latest Practicable Date. Based on the current rulings and pending the appellate courts’ review (where applicable), the total monetary damages in connection with Lawsuits A, B, C and D paid or payable by us and other co-defendants was RMB9.15 million. As of the Latest Practicable Date, Lawsuit E was still at an early stage.

From July 2017 to October 2019, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed four lawsuits (Lawsuits A, B, C and D) with respect to four games that we operated. As of the Latest Practicable Date, we had received final judgment from the appellate court with respect to Lawsuit B and D, while Lawsuits A and C remained pending in the relevant appellate courts. As of the Latest Practicable Date, we had fully settled the monetary damages for Lawsuit B and D in the amount of RMB6.1 million, pursuant to the appellate court’s decision to uphold lower court’s rulings. As of the Latest Practicable Date, Lawsuit B had been closed and Lawsuit D was under enforcement procedures. We believe that the infringing elements and features in these lawsuits are typically related to certain virtual items (such as virtual items like necklaces, rings, other accessories and tools) used in the game products and are not related to the concept or plot of these game products, and they do not constitute material component of the related games. Accordingly, removal of such allegedly infringing elements and features has not had or will not have any material adverse effect on the operation of the games at issue. Taking into account the view of the litigation expert we engaged, our Directors are of the view that, (i) the allegedly infringing elements and features of the games at issue do not constitute a material component of the related game; (ii) there will be no impediment to removal of the allegedly infringing elements and features or such elements and features have been removed voluntarily by us; and (iii) removal of such allegedly infringing elements and features has not had or will not have any material adverse effect on the operation of the games at issue. Although there is uncertainty regarding the timing or ultimate resolution of Lawsuits A and C, these lawsuits are not likely to have any substantive impact on our business, results of operations and financial conditions.

In March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the High People’s Court of Fujian Province (Lawsuit E) alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate the PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. The plaintiff sought (i) an injunction against the future operation of the marketing website; and (ii) RMB100.5 million in monetary damages from us and the other co-defendants. This lawsuit was still at its early stage as of the Latest Practicable Date. With

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respect to this lawsuit, the PRC litigation expert we engaged advises our Company that, (i) we are not a party to the collaboration agreement or any other ancillary documents at issue; (ii) we are not involved in the establishment or operation of the website at issue or other allegedly infringing conducts of our joint ventures at issue; and (iii) it is highly likely that the court will rule in our favor and we will not undertake monetary damages. We are defending ourselves vigorously. Taking into account (i) the view of the PRC litigation expert we engaged and (ii) that the joint venture involved has agreed to indemnify us for the potential damages arising from this lawsuit, our Directors are of the view that, although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, this lawsuit is not likely to have any substantive impact on our business, results of operations and financial conditions.

For further details of the aforementioned lawsuits, see “Business — Legal Proceedings and Compliance — Legal Proceedings.”

Internal Control Measures

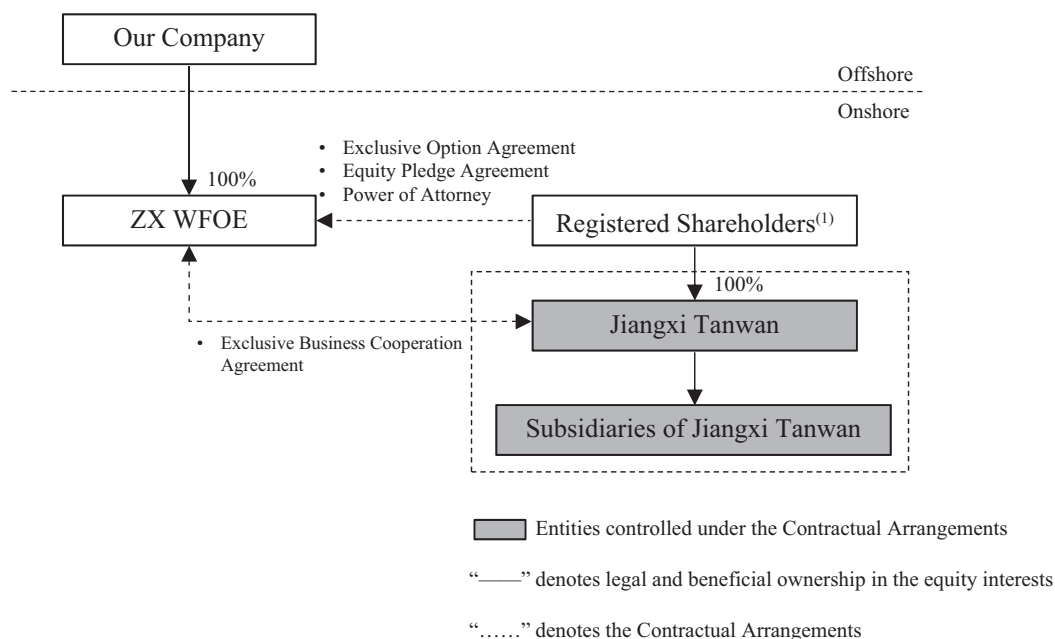
To better safeguard ourselves against potential IP infringement risks, we have engaged an IP law specialist, Zhejiang Deepsoul Law Firm (浙江迪索律師事務所), to conduct internal trainings for us and to review the IP right registration certificates and the letters of licensing from the content developers. The IP law specialist also assists us in reviewing the representations and warranties from the licensors of the major self-developed game products that are not currently subject to legal proceedings regarding intellectual property rights of the underlying games and their undertakings on indemnifying us from and against the losses arising from the copyrights disputes in connection with the relevant games. Having considered the above and consulted our IP law specialist who has reviewed our policies and procedures, our Directors are of the view that we will be able to detect, prevent and mitigate IP infringement risks in the future and our existing game product portfolio is not subject to material infringement risks. For details, please see “Business — Legal proceedings and Compliance — Legal Proceedings — Internal Control Measures.”

OUR CONTRACTUAL ARRANGEMENTS

Due to foreign investment restrictions and prohibitions in the PRC, we entered into the Contractual Arrangements whereby ZX WFOE has acquired effective control over our PRC Operating Entities. The Contractual Arrangements allow the results of operations and assets and liabilities of our PRC Operating Entities to be consolidated into our results of operations and assets and liabilities under HKFRS as if they were our subsidiaries. See “Contractual Arrangements.”

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The following simplified diagram illustrates the Contractual Arrangements:



Note:

- (1) For further details of the shareholding of Jiangxi Tanwan, see “History, Reorganization and Corporate Structure — Major Corporate Development and Shareholding Changes — Our Major PRC Operating Entities — (i) Jiangxi Tanwan.”

PRE-[REDACTED] SHARE OPTION PLAN

The Pre-[REDACTED] Share Option Plan was adopted on November 4, 2022 to enable our Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to our Group. The maximum number of Shares underlying the Pre-[REDACTED] Share Option Plan is 17,463,918 Shares, representing approximately [REDACTED]% of the issued Shares immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). As of the date of this document, the outstanding share options which have been granted under the Pre-[REDACTED] Share Option Plan for an aggregate of 17,463,918 Shares have been granted to total of 153 Eligible Participants. See “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document.

OUR CONTROLLING SHAREHOLDERS

Mr. WU Xubo is our co-founder, executive Director, chairman of the Board and chief executive officer. Immediately following the completion of the [REDACTED], Mr. WU Xubo, indirectly through WXB BVI 2, will hold 264,263,000 Shares, representing approximately [REDACTED]% of our total issued shares (assuming the [REDACTED] is not exercised). WXB

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BVI 2 is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively. WXB BVI 1 is wholly owned by Mr. WU Xubo. WXB Holdco is wholly owned by WxLand Trust, a discretionary trust established by Mr. WU as the settlor and its beneficiaries are WXB BVI 1 and Mr. WU Xubo. Under the trust deed of the WxLand Trust, Mr. WU Xubo in his capacity as investment decision-maker of WxLand Trust shall have sole power to make decisions relating to the exercise of the voting rights in the shareholders’ meeting of WXB BVI 2 through WXB Holdco.

Accordingly, Mr. WU Xubo, WXB BVI 1, WXB BVI 2 and WXB Holdco are our group of Controlling Shareholders upon the [REDACTED] under the Listing Rules. For further background of Mr. WU Xubo, see “Directors and Senior Management.”

OUR PRE-[REDACTED] INVESTOR

On May 6, 2021, Shanghai Tianyou (a wholly-owned subsidiary of Century Huatong) acquired 5.0% of the equity interests in Jiangxi Tanwan from existing shareholders of Jiangxi Tanwan at an aggregate consideration of RMB500 million. Century Huatong is a joint stock company established in the PRC and listed on the Shenzhen Stock Exchange (SZSE:002602). Century Huatong is engaged in, among others, the development and distribution of online games, and owns several popular game IPs. For details, please see “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investment” of this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED] in, our Shares to be issued pursuant to the [REDACTED] on the basis that, among other things, we satisfy the [REDACTED]/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of approximately RMB8,817.2 million for the year ended December 31, 2022 exceeds HK\$500 million, and (ii) our expected [REDACTED] at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED] range, exceeds HK\$4 billion.

FUTURE DIVIDENDS

On August 15, 2023, we declared a special dividend in the amount of RMB50.0 million, the payment of which will be fully settled prior to the [REDACTED] by cash using our internal resources. Our Directors believe that the distribution and payment of the special dividend will not have a material impact on the sufficiency of our working capital after the [REDACTED] and we will be able to maintain sufficient funds to meet our working capital requirements.

We also declared and paid a total of dividends of RMB100.0 million in respect of the year ended December 31, 2020. Other than that, no dividends had been paid or declared by us since our incorporation, or by any of the subsidiaries of our Group during the Track Record Period. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividend will also depend on the availability of dividends received from

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our subsidiaries. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. [REDACTED] should not purchase our shares with the expectation of receiving cash dividends. Our historical dividend distributions are not indicative of our future dividend distribution. We cannot assure you that we will be able to distribute dividends in the future.

[REDACTED] STATISTICS⁽¹⁾

	Based on an [REDACTED] of HK\$[REDACTED]	Based on an [REDACTED] of HK\$[REDACTED]
[REDACTED] of our Shares ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) All statistics in this table are on the assumption that the [REDACTED] are not exercised.
- (2) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED].
- (3) The pro forma adjusted consolidated net tangible assets of our Company attributable to owners of our Company per Share is calculated after making the adjustments referred to in “Financial Information—Unaudited Pro Forma Statement of Adjusted Net Tangible Assets.”

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] range stated in this document. We currently intend to apply these [REDACTED] for the following purposes:

- approximately 30.0%, or HK\$[REDACTED], will be used to enhance and expand our online game publishing business and other marketing business and consumer product business over the next four years, including: (i) approximately 25.0%, or HK\$[REDACTED], will be used to enhance and expand the product/sector coverage of our online game publishing business and other marketing business; and (ii) approximately 5.0%, or HK\$[REDACTED], will be used to enhance and expand our consumer product business.

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- approximately 30.0%, or HK\$[REDACTED], will be allocated to expand and deepen our partnership with major market participants throughout the full lifecycle value chain to fulfill our growth strategy over the next four years, including (i) approximately 28.0%, or HK\$[REDACTED], will be used to strengthen our relationships with mainstream media platforms to enhance our brand awareness and end-user coverage, including (i) increasing marketing expenses with mainstream online media platforms to meet the evolving needs of the end-users and to further expand our collaborations with new online media platforms; (ii) expanding offline mainstream media platform collaborations, mainly through media promotion and multi-dimension offline marketing activities; (iii) promoting consumer product business through offline channels in second-tier cities or cities with great market potentials; and (iv) collaborating with external professional marketing team to design marketing materials for our integrated online and offline marketing activities; and (ii) approximately 2.0%, or HK\$[REDACTED], will be used to hire additional marketing and operation personnel with competitive compensation.
- approximately 10.0%, or HK\$[REDACTED], will be allocated to improve our technology infrastructure and enhance our internal research and development capabilities over the next four years, including (i) approximately 6.0%, or HK\$[REDACTED], will be used to upgrade and strengthen our IT infrastructure to support our business growth; and (ii) approximately 4.0%, or HK\$[REDACTED], will be used to recruit 60 more IT staff in the next four years, including programmers, software developing and testing engineers, big data developers and algorithm experts.
- approximately 10.0%, or HK\$[REDACTED], will be used to support our overall strategies of expanding into select markets outside China and developing our overseas operation over the next four years, including (i) approximately 4.5%, or HK\$[REDACTED], will be used to expand the market share of our online game publishing business and consumer product business; (ii) approximately 4.0%, or HK\$[REDACTED], will be used to develop our online game publishing capabilities overseas through engaging international celebrities and KOLs to enhance our brand recognition; and (iii) approximately 1.5%, or HK\$[REDACTED], will be used to recruit additional talents to support our expansion and development strategies in overseas markets over the next four years.
- approximately 10.0%, or HK\$[REDACTED], will be used for exploring potential strategic acquisition opportunities starting from the second through the fourth year after the [REDACTED]. We believe it will allow us to expand our existing game product offerings, improve our technology capabilities, and enhance our value proposition to our clients.
- approximately 10.0%, or HK\$[REDACTED], will be used for our working capital and general corporate purposes. For details, see “Future Plans and Use of [REDACTED].”

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED] per [REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] is approximately RMB[REDACTED],

SUMMARY

representing [REDACTED]% of the total [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (RMB[REDACTED]). We had incurred [REDACTED] expenses of RMB63.2 million as of April 30, 2023, of which RMB54.3 million has been charged to our consolidated statements of profit or loss and other comprehensive income and RMB8.9 million will be deducted from equity. A total of RMB[REDACTED] of our [REDACTED] expenses are expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. We expect to incur additional [REDACTED] expenses of approximately RMB[REDACTED], of which RMB[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] will be deducted from equity. The balance of the [REDACTED]-related expenses of approximately RMB[REDACTED], which mainly includes [REDACTED], is expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. The balance of the non-[REDACTED]-related expenses of approximately RMB[REDACTED] primarily include fees and expenses of legal advisers and accountants of RMB[REDACTED] and other fees and expenses of RMB[REDACTED].

OUR STRENGTHS

We believe the following competitive strengths contributed to our historical success and will drive our future growth:

- an experienced market player in China’s mobile game industry leveraging capabilities in precision marketing, in-depth operation and brand development;
- broad reach of end-user base with established stable business partnerships;
- prolonged product lifecycle and enriched product value empowered by in-depth operation capabilities;
- robust monetization capabilities through brand development capabilities;
- continued self-reinforced intelligent technologies and R&D capabilities; and
- visionary and experienced management team.

OUR STRATEGIES

We plan to implement the following strategies:

- continue to enhance and expand online game publishing business and other marketing business;
- continue to enhance our intelligence technologies and invest in technology and innovation;

SUMMARY

- further enhance brand development capabilities and diversify content; and
- advance the full lifecycle value chain and selectively pursue strategic acquisitions.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Business Development

Subsequent to the Track Record Period, our business has continued to grow. From May 1, 2023 to June 30, 2023, we published 13 new games. The following table sets forth certain operating metrics for the two months ended June 30, 2023.

	For the two months ended June 30, 2023
Average MAUs (in thousands)	7,227.7
Average MPUs (in thousands)	832.9
Retention rate of AUs ⁽¹⁾ (%)	4.3
Retention rate of PUs ⁽¹⁾ (%)	2.6
Conversion rate of PUs from AUs ⁽²⁾ (%)	11.5
	As of June 30, 2023
Number of cumulative registered end-users ⁽³⁾ (in millions)	432.9
Number of PUs ⁽⁴⁾ (in millions)	4.5

Notes:

- (1) The retention rate of AUs or PUs is the percentage of the AUs or PUs we had in the previous calendar year or corresponding period that we continue to retain during the current calendar year or period, as applicable.
- (2) The conversion rate of PUs from AUs represents the ratio of MPUs to MAUs in a given period.
- (3) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each period.
- (4) The number of PUs are calculated as of the end of each period.

Impact of Market Outlook on Mobile Game Industry

Despite that the global mobile game market decreased by 3.2% in terms of user-spending in 2022 as compared to 2021, its market size is expected to grow at a CAGR of 4.8% from 2022 to 2027. According to Frost & Sullivan, the decline in the market size of global mobile game market in 2022 will not have material impacts on such market in the long run for the following reasons. First, the global mobile game market is expected to return to normal and sustainable growth rate based on pre-pandemic forecast. Second, the current economic climate, limits people’s disposable income and price-sensitive mobile game users spend less during tougher economic times. However, the number of global players is still growing across the globe.

In addition, our Directors are of the view that such market outlook would not have a material adverse impact our financial performance and business operations primarily based on

SUMMARY

our stable financial performance during the Track Record Period and our unique competitive strengths as compared with our competitors. Notably, our revenue increased by 99.7% from RMB2,872.4 million in 2020 to RMB5,735.7 million in 2021, and further increased by 53.7% from RMB5,735.7 million in 2021 to RMB8,817.2 million in 2022. Our revenue decreased by 14.0% from RMB2,846.6 million for the four months ended April 30, 2022 to RMB2,448.3 million for the four months ended April 30, 2023, primarily reflecting a decrease in revenue we generated from the online game publishing business and other marketing business under the self-run model mainly because certain game products entered into a later stage of their lifecycle. As of April 30, 2023, we had cash and cash equivalents of RMB399.3 million. In addition, we believe we have certain competitive strengths that will help us maintain a competitive edge and handle the market volatility. See “Our Business — Our Competitive Strengths” for a detailed description of our strengths over our competitors.

Having (i) discussed with our Company’s management and Frost & Sullivan, (ii) reviewed our Board’s draft memorandum of profit forecast for the eight months ending December 31, 2023 and the proof of our Group’s products pipeline, including the full list of our Group’s products pipeline and the internal test reports of our Group’s pipeline game products, and (iii) conducted the background search through an independent background search agent on the PRC Operating Entities, where no material adverse findings with respect to the market outlook and its impact on the business operations and financial results of the Group were identified, the Joint Sponsors concur with our Directors’ view as set out above.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since April 30, 2023, which is the end date of the periods reported on in the Accountants’ Report included in Appendix I to this document, and there is no event since April 30, 2023 that would materially affect the information as set out in the and the Accountants’ Report included in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings.

“4G”	the fourth generation of mobile phone mobile communication technology standards
“5G”	the fifth generation of mobile phone mobile communication technology standards
“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“ACT”	action game
“active user(s)” or “AU(s)”	in any given period, (i) active users of a particular game refers to all registered players of such game that entered the game at least once in such given period while the game was in operation; and (ii) active users of all of our games refers to the aggregate of the active users of all of our games in such given period while the games were in operation
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“AI”	artificial intelligence
“algorithm”	a procedure or formula for solving a problem, based on conducting a sequence of specific actions, especially by a computer
“API”	application programming interface
“ARPPU”	average revenue per paying user
“Articles” or “Articles of Association”	the [fourth] amended and restated articles of association of our Company conditionally adopted by a special resolution passed on [●], 2023 with effect from the [REDACTED], and as amended from time to time, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands company law” in Appendix III to this document

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day” or “Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

[REDACTED]

“casual game”	a genre of games that is typically designed with relatively simple but attractive gameplay in a minimalistic style, such as cartoons, played by users for recreational purposes, and generally have shorter gaming time per play compared to other mobile game genres
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[REDACTED]

DEFINITIONS

[REDACTED]

“CCG”	collectible card games, a genre of games that are played using specially designed sets of playing cards
“Century Huatong”	Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司), a joint stock company established in the PRC and listed on the Shenzhen Stock Exchange (SZSE:002602), the Pre-[REDACTED] Investor of our Company
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude the special administrative regions of Hong Kong and Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“cloud”	a network of remote servers hosted on the Internet and used to store, manage, process data, and offer algorithms in place of local servers or personal computers
“Companies Act” or “Cayman Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company”, or “the Company”	ZX Inc. (中旭未来), an exempted limited liability company incorporated in the Cayman Islands on March 18, 2021
“Compliance Adviser”	Somerley Capital Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements entered into by ZX WFOE, Jiangxi Tanwan and the Registered Shareholders, details of which have been set forth under the section headed “Contractual Arrangements” in this document
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. WU Xubo, WXB BVI 1, WXB BVI 2 and WXB Holdco
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“ESG”	environmental, social and governance
“EIT Law”	PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) which was adopted by the National People’s Congress on March 16, 2007, as last amended and effective on December 29, 2018
“ESOP BVIs”	collectively, GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited, which hold the relevant issued Shares on trust for the Pre-[REDACTED] Share Option Plan
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“FIL”	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) adopted by the National People’s Congress on March 15, 2019 and became effective on January 1, 2020
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“FVTPL”	fair value through profit or loss

DEFINITIONS

“F&S Report”	the report prepared by Frost & Sullivan
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal growth rates of GDP)

[REDACTED]

“GMV”	gross merchandise value
“governmental authority(ies)”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

[REDACTED]

“gross billing”	the total amount paid by paying players for in-game purchases during a given period
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the PRC Operating Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

“Guangzhou Bajiyou”	Guangzhou Bajiyou Network Technology Co., Ltd. (廣州八九遊網絡科技有限公司), a limited liability company established in the PRC on December 5, 2017, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is owned as to 51.0% by Jiangxi Tanwan, 47.0% by Shangrao Gude Enterprise Management Center (L.P.) (上饒市古德企業管理中心 (有限合夥)), a limited partnership established in the PRC on June 2, 2021 with KE Yawen (柯亞文), an independent third party, being its general partner, 1% by KE Yawen and 1% by DENG Yuancheng (鄧元成), the head of legal affairs of Guangzhou Bajiyou and an independent third party
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DEFINITIONS

“Guangzhou Chichi”	Guangzhou Chichi Network Technology Co., Ltd. (廣州吃吃網絡科技有限公司), a limited liability company established in the PRC on June 19, 2018, an indirect wholly-owned subsidiary of our Company
“Guangzhou Feifan”	Guangzhou Feifan Information Technology Co., Ltd.(廣州非凡信息科技有限公司), a limited liability company established in the PRC on June 9, 2020, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is owned as to 51.0% by Jiangxi Tanwan, 5.0% by HE Yin (何寅), a supervisor of Guangzhou Tanwan, and 44.0% by WANG Jing (王京), the general manager of Guangzhou Feifan and an independent third party, respectively
“Guangzhou Future Industry”	Guangzhou Future Industry Service Co., Ltd. (廣州未來產業服務有限公司), a limited liability company established in the PRC on April 26, 2022, an indirect wholly-owned subsidiary of our Company
“Guangzhou Hehe”	Guangzhou Hehe Information Technology Co., Ltd. (廣州喝喝信息技術有限公司), a limited liability company established in the PRC on January 6, 2022, an indirect wholly-owned subsidiary of our Company
“Guangzhou Huanle”	Guangzhou Happy Time Digital Technology Co., Ltd. (廣州歡樂時光數字科技有限公司), a limited liability company established in the PRC on November 12, 2021, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is owned as to 51.0% by Jiangxi Tanwan 20% by LIN Xin (林欣), an independent third party and 29% by Fuzhou Zizai Entertainment Internet Technology Co., Ltd. (福州自在互娛網絡科技有限公司), a limited company established in the PRC on May 27, 2020 held by Jiangxi Tanwan as to 28%, by LIN Xin as to 49.8% and by LIN Hui (林輝) as to 22.2%
“Guangzhou Tan Bowl”	Guangzhou Tanwan Information Technology Co., Ltd.(廣州貪碗信息技術有限公司), a limited liability company established in the PRC on September 15, 2022, an indirect wholly-owned subsidiary of our Company
“Guangzhou Tanwan”	Guangzhou Tanwan Information Technology Co., Ltd.(廣州貪玩信息技術有限公司), a limited liability company established in the PRC on July 28, 2017, one of the PRC

DEFINITIONS

	<p>Operating Entities controlled by our Company through the Contractual Arrangements, and is owned as to 99.0% by Jiangxi Tanwan and 1.0% by Mr. LI Yiming (李一鳴), a director and general manager of Guangzhou Tanwan</p>
“Guangzhou Tanwan Mobile Game”	<p>Guangzhou Tanwan Mobile Game Network Technology Co., Ltd. (廣州貪玩手遊網絡科技有限公司), a limited liability company established in the PRC on March 8, 2022 and one of our subsidiaries, which is owned as to 51.0% by ZX WFOE, 39% by HU Zuwei (胡祖偉), the chief executive officer of Guangzhou Tanwan Mobile Game and an independent third party, and 10% by LI Yuhan (李玉晗), the chief operating officer of Guangzhou Tanwan Mobile Game and an independent third party</p>
“Guangzhou Tongchuang”	<p>Guangzhou Tongchuang Future Information Technology Co., Ltd. (廣州同創未來信息技術有限公司), a limited liability company established in the PRC on March 8, 2023, an indirect wholly-owned subsidiary of our Company</p>
“Guangzhou Zhongxu”	<p>Guangzhou Zhongxu Digital Information Technology Co., Ltd. (廣州中旭數科信息科技有限公司), a limited liability company established in the PRC on September 27, 2020, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is wholly-owned by Jiangxi Tanwan</p>
“Hainan Tanwan”	<p>Hainan Tanwan Information Technology Co., Ltd. (海南貪玩信息技術有限公司), a limited liability company established in the PRC on November 4, 2020, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is wholly-owned by Jiangxi Tanwan</p>
“Hainan Zhangwan”	<p>Hainan Zhangwan Network Technology Co., Ltd. (海南掌玩網絡科技有限公司), a limited liability company established in the PRC on April 14, 2020, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is owned as to 51.0% by Jiangxi Tanwan, 9.0160% by Mr. DONG Wenbin (董文濱), a cousin of Mr. WU Xubo, and 39.9840% by HUANG Jixiong (黃繼雄), the head of business department of Hainan Zhangwan, respectively</p>
“HK” or “Hong Kong”	<p>the Hong Kong Special Administrative Region of the People’s Republic of China</p>

DEFINITIONS

“HK 5 Ring” Hong Kong 5 Ring Network Co., Limited (香港五環網絡有限公司), a limited company incorporated in Hong Kong on June 23, 2022, and an indirect subsidiary of the Company wholly-owned by HK 9 Ring

“HK 9 Ring” Hong Kong 9 Ring Network Co., Limited (香港九環網絡有限公司), a limited company incorporated in Hong Kong on February 9, 2021, and is a subsidiary of our Company owned as to 51.0% by ZX HK and 49.0% by Guangzhou Happy Time Information Technology Co., Ltd (廣州歡樂時光信息技術有限公司), which is owned as to 79.59% by HE Yin (何寅), a supervisor of Guangzhou Tanwan and 20.41% by WANG Jing (王京), the general manager of Guangzhou Feifan and an independent third party

[REDACTED]

“HKFRS” Hong Kong Financial Reporting Standards

“HK Huanle” Hong Kong Happy Time Mutual Entertainment Co., Limited (香港歡樂時光互娛有限公司), a limited company incorporated in Hong Kong on May 30, 2022, and is an indirect wholly-owned subsidiary of our Company

“HK Tanwan” Hong Kong Tanwan Information Technology Co., Limited (香港貪玩信息技術有限公司), a limited company incorporated in Hong Kong on May 24, 2016, and is an indirect wholly-owned subsidiary of our Company

[REDACTED]

“Hong Kong dollars” or “HK dollars” or “HK\$” Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

[REDACTED]

“independent third party(ies)”

any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

“IoT” Internet of things, the extension of Internet connectivity into physical devices and everyday objects

“IP” intellectual property

[REDACTED]

“Jiangxi Tanwan” Jiangxi Tanwan Information Technology Co., Ltd. (江西貪玩信息技術有限公司), a limited liability company established in the PRC on May 21, 2015, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements

[REDACTED]

“Joint Sponsors” and “Sponsor-
[REDACTED]” China International Capital Corporation Hong Kong Securities Limited and China Securities (International) Corporate Finance Company Limited

“KOL(s)” key opinion leader(s)

“Latest Practicable Date” August 9, 2023, being the latest practicable date for ascertaining certain information in this document before its publication

DEFINITIONS

[REDACTED]

“Listing Committee” the listing committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

“MAU” monthly active users, which refers to the number of active users in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period

“Memorandum” or “Memorandum of Association” the [fourth] amended and restated memorandum of association of our Company conditionally adopted by a special resolution passed on [●], 2023 with effect from the [REDACTED], and as amended from time to time, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document

“metaverse” refers to the convergence of physical, augmented, and virtual reality in a shared online space

“MMORPG” massively multiplayer online role-playing games

“MOBA” multiplayer online battle arena, a genre of games that originated from a sub-genre of real-time strategy in which each player controls a single character, usually on a map in an isometric perspective, as part of a team competing against another team of players

“MOFCOM” the Ministry of Commerce of the PRC (中華人民共和國商務部)

“MPU” monthly paying users

DEFINITIONS

“NDRC” the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

[REDACTED]

“omnichannel” the integration and cooperation of the various channels organizations use to interact with consumers

[REDACTED]

“paying user(s)” or “PU(s)” in any given period, the account which contributes to gross billings for a particular game, a particular game genre or any or all of our games, as applicable

“PC” personal computer

“Poyang Tanwan” Poyang Tanwan Information Technology Co., Ltd. (鄱陽縣貪玩網絡科技有限公司), a limited liability company established in the PRC on December 1, 2017, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is owned as to 99.0% by Jiangxi Tanwan and 1.0% by Guangzhou Tanwan

DEFINITIONS

“Poyang Weiru”	Poyang Weiru Information Technology Co., Ltd. (鄱陽縣偉如信息技術有限公司), a limited liability company established in the PRC on March 13, 2017, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is owned as to 70.0% by Jiangxi Tanwan and 30.0% by ZHANG Kun (張坤), the general manager of Poyang Weiru and an independent third party
“PRC GAAP”	People’s Republic of China Generally Accepted Accounting Principles
“PRC Legal Adviser”	Beijing Dacheng Law Offices, LLP, our legal adviser on PRC law
“PRC litigation expert”	Goldsun Law Firm (國信信揚律師事務所), a third-party litigation expert we engaged
“PRC Operating Entities”	the entities controlled by our Group through the Contractual Arrangements, namely Jiangxi Tanwan and its subsidiaries, details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this document
“Pre-[REDACTED] Investment”	the pre-[REDACTED] investment as set out in the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investment” in this document
“Pre-[REDACTED] Investor”	the pre-[REDACTED] investor as set out in the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investment” in this document
“Pre-[REDACTED] Share Option Plan”	the pre-[REDACTED] share option plan of our Company as adopted on November 4, 2022, a summary of its principal terms is set out in the section headed “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document

[REDACTED]

“document”	this document being issued in connection with the [REDACTED]
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DEFINITIONS

“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Registered Shareholders”	the equity owners of Jiangxi Tanwan, namely Mr. WU Xubo, Ms. WU Xuan, Mr. ZHANG Tong, Mr. LUO Xihu, Ms. CHEN Wei, Mr. QU Jiajia, Shangrao Hongbang, Shangrao Hezhong, Shangrao Qichuang, Shangrao Hechuang and Shanghai Tianyou
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the corporate restructuring of the Group in preparation for the [REDACTED], as described in the section headed “History, Reorganization and Corporate Structure — Reorganization”
“registered user(s)”	as of any period of time, registered user of a particular game product marketed and operated by us refers to the user account that had at least one entry into such game product prior to such time; registered users of the game products we marketed and operated refer to the aggregate user accounts that logged into such game products at least once prior to such time, a user account that has been used to log into two or more of the game products we marketed and operated is counted as one registered user
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RPG”	role-playing game, a genre of games in which a player assumes the role of a character, interacts with each other in an evolving fantasy or fictional world and takes control over the character’s actions
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation (國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Tanwan”	Shanghai Tanwan Chuanqi Information Technology Co., Ltd. (上海貪玩傳奇信息技術有限公司), a limited liability company established in the PRC on December 1, 2020, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is wholly-owned by Jiangxi Tanwan
“Shanghai Tianyou”	Shanghai Tianyou Software Co., Ltd. (上海天遊軟件有限公司), a wholly-owned subsidiary of Century Huatong and a registered shareholder of Jiangxi Tanwan
“Shangrao Hechuang”	Shangrao Hechuang Enterprise Management Center (Limited Partnership) (上饒市合創企業管理中心(有限合夥)), a limited partnership established in the PRC on December 17, 2020, which is a registered shareholder of Jiangxi Tanwan with its general partner being Mr. LUO Xihu (羅錫虎) and its limited partners being certain key employees of Jiangxi Tanwan
“Shangrao Hezhong”	Shangrao Hezhong Enterprise Management Center (Limited Partnership) (上饒縣和眾企業管理中心(有限合夥)), a limited partnership established in the PRC on June 30, 2017, which is a registered shareholder of Jiangxi Tanwan with its general partner being Mr. CHEN Yang (陳養), a key employee of the Group and its limited partners being certain other key employees of Jiangxi Tanwan
“Shangrao Hongbang”	Shangrao Hongbang Enterprise Management Center (Limited Partnership) (上饒縣宏邦企業管理中心(有限合夥)), a limited partnership established in the PRC on June 27, 2017, which is a registered shareholder of Jiangxi Tanwan with its general partner being Mr. WU Xubo and its limited partner being Ms. WU Xuan
“Shangrao Qichuang”	Shangrao Qichuang Enterprise Management Center (Limited Partnership) (上饒市齊創企業管理中心(有限合夥)), a limited partnership established in the PRC on December 17, 2020, which is a registered shareholder of Jiangxi Tanwan with its general partner being Ms. WU Xuan and its limited partners being certain key employees of Jiangxi Tanwan

DEFINITIONS

“Shangrao Tanwan”	Shangrao Guangfeng Tanwan Network Technology Co., Ltd. (上饒市廣豐區貪玩網絡科技有限公司), a limited liability company established in the PRC on January 29, 2021, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements, and is wholly-owned by Jiangxi Tanwan
“Share(s)”	ordinary share(s) in the share capital our Company with a par value of US\$0.00002 each
“Shareholder(s)”	holder(s) of our Share(s)
“SLG”	simulation games, a genre of games that allows players to control characters and attempt to emulate various activities from real life in the game format
	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
	[REDACTED]
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance. Unless the context requires otherwise, reference to our subsidiaries shall also include the PRC Operating Entities
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended December 31, 2022 and the four months ended April 30, 2023

DEFINITIONS

“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

[REDACTED]

“VAT”	value-added tax
“VIP”	very important person
“VR”	visual reality
“Web 3.0”	third-generation World Wide Web, whose main objective is to completely decentralize the interconnected system of networks, which enables the users to read, write, and own data over the internet
“WXB BVI 1”	WxLand Holding Limited, a business company incorporated in the BVI with limited liability on March 8, 2021, a wholly-owned subsidiary of Mr. WU Xubo, and one of our Controlling Shareholders
“WXB BVI 2”	WxLand International Limited, a business company incorporated in the BVI with limited liability on January 4, 2022, a company owned by WXB BVI 1 as to 50.0%, and WXB Holdco as to 50.0%
“WXB Holdco”	WxLand Limited, a business company incorporated in the BVI with limited liability on September 26, 2022, which is wholly-owned by WxLand Trust, a discretionary trust established by Mr. WU Xubo as the settlor on September 22, 2022
“ZX BVI”	ZX Interactive Limited, a business company incorporated in the BVI with limited liability on March 30, 2021, a wholly-owned subsidiary of our Company

DEFINITIONS

“ZX Entertainment”	Guangzhou Zhongxu Bro Kooli Culture and Entertainment Co., Ltd. (廣州中旭西蘭花文化娛樂有限公司), a limited liability company established in the PRC on September 28, 2021, an indirect wholly-owned subsidiary of our Company
“ZX HK”	ZX Data Limited (中旭數據有限公司), a limited company incorporated in Hong Kong on April 16, 2021, an indirect wholly-owned subsidiary of our Company
“ZX Industry”	Guangzhou Zhongxu Industry Service Co., Ltd. (廣州中旭產業服務有限公司), a limited liability company established in the PRC on April 26, 2022, an indirect wholly-owned subsidiary of our Company
“ZX WFOE”	Guangzhou Zhongxu Future Technology Co., Ltd. (廣州中旭未來科技有限公司), a limited liability company established in the PRC on May 26, 2021, an indirect wholly-owned subsidiary of our Company
“%”	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “might,” “ought to,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate and future developments in relation to the COVID-19 outbreak;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to continue to maintain our leadership position in the industry;
- our ability to control or reduce costs;
- our ability to identify and integrate suitable acquisition targets;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our future debt levels and capital needs;

FORWARD-LOOKING STATEMENTS

- the competitive environment of the industry and markets in which we operate;
- the actions and developments of our competitors;
- certain statements in “Business” and “Financial Information” in this document with respect to trends in prices, operations, margins, overall market trends, and risk management;
- change of volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other statements in this document that are not historical facts.

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

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

RISK FACTORS

An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled “Forward-looking Statements” of this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success and revenue growth depends on our ability to attract new clients and retain our existing clients.

Our ability to generate sustainable and/or increased revenue depend on our ability to retain, deepen or expand our relationships with existing clients, which primarily including game product developers, as well as our ability to attract new clients. In order to retain and attract new clients, we need to continue to provide effective marketing and operation services that enhance our clients’ monetization capabilities.

We cannot assure you that our core capabilities will enable us to successfully satisfy clients’ needs, retain existing clients, deepen or expand our relationships with our existing clients or attract new clients in the future. During the Track Record Period, we typically enter into service agreements with developers of game products for a term of three years. However, our clients are generally not obligated to enter into service agreements with us on an exclusive basis or be bound by any long-term contracts beyond the existing terms. Failure to retain existing clients or attract new game product developers to utilize our services may materially and adversely affect our business, financial condition, result of operations and prospects.

Therefore, we cannot assure you that our services will remain attractive to our clients and that they will continue to use our services or that we will be able to replace, in a timely or effective manner, departing clients with potential clients that deliver comparable level of revenue. Any loss or deterioration of our relationships with any of our clients may result in loss to our revenue and, in turn, materially and adversely affect our business and results of operations.

We are subject to concentration risk as a substantial portion of our revenue was generated from our major clients for marketing and operating game products.

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, (i) our five largest clients in each year/period contributed to approximately 92.0%,

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95.2%, 80.4% and 78.1% of our total revenue for the same year/period, respectively; and (ii) our largest client in each year/period contributed to 48.6%, 43.9%, 31.7% and 32.0% of our total revenue for the same year/period, respectively. We cannot guarantee that our major clients will continue to partner with us or reduce their business with us. Moreover, we cannot guarantee that our major clients will not have a change of business scope or business model, will continue to maintain their market position and reputation, will not cease to operate or will not experience operational or financial difficulties.

In addition, substantially all of our revenue during the Track Record Period was generated from provision of online game publishing business to game products developed by our clients. For details, see “Financial Information — Description of Major Components of Our Results of Operations — Revenue — Online Game Publishing Business and Other Marketing Business.” Even though we have started to expand and diversify our client and product base by cooperating with clients in other industries, including online literature creators, we are subject to concentration risk of deriving a substantial portion of revenue from marketing and operation of game products, in particular our signature games. Our failure to provide satisfactory game products’ marketing and operation services to such game developers or successfully market and operate such games may adversely affect our business relationships with them. If any of them decides to decrease or terminate their cooperation with us in the future, it may result in a material and adverse effect on our business, financial condition and results of operations.

In addition, given the rapidly evolving nature of online or mobile games industry, the business growth of game developers or publishers is subject to various factors, including the general economic conditions, end-users’ leisure time and spending, and amendments of relevant laws, rules and regulations in the online or mobile games industry. Should there be (i) any decline in the number of end-users of these games, (ii) any failure by the game developers to upgrade, enhance or optimize these games in a timely manner or at all, (iii) any lasting or prolonged server interruption due to network failures or other reasons, or (iv) any other unfavorable changes made to these games, our business, financial condition and results of operations could be affected. Any fluctuation in the overall development of the online or mobile games industry may reduce demand for our clients’ game products and thus materially and adversely affect our business, financial condition and results of operations. Moreover, we cannot assure you that we are able to successfully expand our business or attract new clients from other industries. In the event that we are unable to expand our client base, we may experience slower or no growth at all or decrease in our revenue, and our business, financial condition and results of operations could be materially and adversely affected.

If the mobile game products that we market and operate fail to satisfy the preferences of end-users, our business, financial condition and results of operations may be materially and adversely affected.

End-user preferences on different mobile game products are subject to evolving changes and different content capture different audience demographics. The marketing and operation services for mobile game products require us to continuously identify the industry trends and preferences of the end-users of our clients’ products. Our growth depends, in part, on our ability

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to develop tailored marketing and in-depth operation services which adapt to end-users’ ever-changing preferences.

While we have strived to identify the end-users’ needs and changes in their preferences, there is no assurance that we will be able to continue to accurately define the target end-users, promptly respond to the changes in their preferences or efficiently adapt to the market trends and industry development. The marketing campaigns we produce may not be receptive to the end-users as other advertisements or marketing services released or distributed by our competitors. We derived a substantial portion of our revenue from marketing and operating massively multiplayer online role-playing games (MMORPG). Any change in our target end-users’ preferences towards such types of games could materially and adversely affect our market share and financial performance if we cannot timely and proactively react and adapt to such change. Any of the aforementioned circumstances may have a negative impact on our clients’ interest in our services, which may materially and adversely affect our business, financial condition and results of operations.

The laws and regulations regulating online games in China will be amended at times, which may make it difficult for us or our clients to promptly obtain or maintain all applicable permits and approvals and may have a material and adverse effect on our business and results of operations.

Our business requires us to obtain and maintain applicable licenses and permits, such as Value-added Telecommunications Operation License to support our lawful operations. See “Business — Licenses and Permits” for details. The laws and regulations on our online game publishing business and other marketing business, digital analytics and internet-related industries, and the licensing and permit requirements pertaining to companies operating in these industries, will be amended at times. We cannot assure you that we will always be able to maintain our existing licenses or obtain new ones required for conducting our business in all jurisdictions where we operate or have business presence. If any government considers that we are operating without the proper licenses or permits or promulgates new laws and regulations that require additional licenses or permits or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by such government may have a material and adverse effect on our business, financial condition and results of operations.

The general office of the Ministry of Culture and Tourism (中華人民共和國文化和旅遊部), or the MOCT, released the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Culture Operation License to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》) (the “**Notice**”), which specifies that the MOCT no longer assumes the responsibility for the administration of the online game industry and no longer approves or issues the Internet Culture Operation Licenses within the business scope of “operating online games via the internet,” “operating online games via the internet (including the issuance of virtual currencies used for online games)” or “conducting trade of virtual currencies used for online games via the internet.” However, there is no assurance that

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the aforementioned business activities would not be regulated by other relevant government authorities in the future. If we are not able to obtain the relevant licenses for our marketing and operation of gaming products in a timely manner, or at all, after the promulgation of new laws and regulations that require us to do so, we may be required to suspend or cease our business operations, which could materially and adversely affect our results of operations and financial condition. We will closely monitor the latest regulatory developments and make every effort to comply with any new regulations and policies.

Pursuant to relevant PRC laws and regulations, the official launch and monetization of online games that we are licensed from our clients in the PRC is subject to the preapproval from and issuance of game publication numbers by the National Press and Publication Administration (the “NPPA”). Historically, the NPPA at the national level temporarily suspended approval of game publication and issuance of publication numbers for online games in July 2021 and resumed to issue game publication numbers by batches periodically beginning in April 2022. As the regulatory authorities have received a large number of game publication applications which are to be reviewed, it may take some time for all of the existing game publication applications to complete the process and obtain game publication numbers. Therefore, there is uncertainty as to when our clients will be able to complete game publication and obtain the game publication numbers for new games in a timely manner, or at all. If our clients fail to obtain preapprovals from the NPPA, none of them can be successfully launched and monetized in China as scheduled, or at all, and they may be ordered to be suspended or cease operation, which could materially and adversely impact our ability to introduce new games and our business growth and prospects. In addition, we may be subject to administrative or other penalties for any games we are licensed from our clients and operated without obtaining requisite preapprovals from the NPPA.

We face risks related to natural disasters, health epidemics and other outbreaks beyond our control, which presents challenges to our business.

Natural disasters, health epidemics, or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS), Ebola, Zika and COVID-19, and other factors beyond our control, such as power, water or fuel shortages, failures, malfunction and breakdown of information management systems, and potential terrorist attacks.

The COVID-19 pandemic has resulted in significant disruptions in the global economy. COVID-19 has resulted in travel restrictions and the temporary closure of offices and facilities, among other responsive measures, in many countries and regions. New COVID-19 variants have also emerged, potentially extending the period during which COVID-19 will negatively impact the global economy. The future development of the COVID-19 pandemic is uncertain. The extent to which it may affect our results of operations, financial condition and cash flows will depend on the length and future development of the pandemic, including the severity of the multiple variants. To the extent the COVID-19 pandemic adversely affects our business and results of

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operations, it may also have the effect of heightening many of the other risks described in this document.

We are also vulnerable to natural disasters and other calamities. Our servers and back system are primarily hosted and maintained at cloud servers that are not operated by us. We cannot assure you that our cloud service providers will have adequate measures to protect themselves from, and that our business and operations will not be affected by, the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Our operation could also be severely disrupted if our suppliers, users or business partners were affected by such natural disasters or health epidemics. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology system failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services through our system.

The mobile game industry is highly competitive. If we are unable to compete effectively with existing or new competitors, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we may fail to compete with and be driven out by the market leaders in the mobile game industry, given their dominant market share and position.

The industry we operate in is, and will continue to be highly competitive, with a majority of competitors focusing on specific use cases, end markets and/or types of point solutions. According to Frost & Sullivan, we accounted for 3.5% of the total market share of the mobile game market in 2022, but the top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022. We may fail to compete with and be driven out by those market leaders in the mobile game industry, given their dominant market share and position.

In addition, some of our competitors may have acquired more user traffic, established stronger brand recognition, developed more extensive commercial relationships, had access to more financial, technical, marketing or other resources than we do. Consequently, such competitors may be able to develop services or launch products or introduce new business methods better received by end-users or may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulations or users’ needs. We cannot assure you that we will be able to compete successfully against new or existing competitors, or against new business methods, technologies or solutions implemented by them. In addition, the increasing competition we experience in the mobile game industry, may also reduce the number of our end-users or the growth rate of our end-user base or reduce the in-game purchases. All of these competitive factors could materially and adversely affect our business, financial condition and results of operations.

We compete to attract and retain clients based on various factors, such as the quality of end-user experience, the reliability and security of our services, the ability to invest in leading technology, as well as the access to distribution channels and multi-channel automation. Any

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existing or potential competitor may also choose to operate based on a different pricing model or undercut prices in order to increase its market share, which may have a material and adverse impact on our financial condition and results of operations. See “— Risks Relating to Our Business and Industry — Our success and revenue growth depends on our ability to attract new clients and retain our existing clients.” We also compete for hiring and retaining skilled and motivated employees, including technology and marketing talents. See also “— Risks Relating to Our Business and Industry — We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.”

Moreover, if our competitors continuously invest to innovate, expand their business and deepen end-user reach and engagement, we may be outcompeted in any of these areas. Lower solution prices or innovative solutions offered, increased investments made by our competitors may require us to divert significant managerial, financial and operating resources in order to be competitive, which ultimately may reduce our market share and negatively impact the growth of our business. See “— If we cannot continue to innovate, adapt and respond timely and effectively to rapidly-changing technologies and evolving clients’ needs in the mobile game industry, our business, financial condition or results of operations and prospects could be materially and adversely affected.” We may be subject to further competition if any of our competitors enter into business partnerships or alliances or raise significant additional capital, or if established companies from other market segments or geographical markets expand into our market segment or geographical market. If we are unable to compete successfully against our current or potential competitors, our ability to retain clients may be adversely affected, the level of economic activity and end-user engagement may decrease and our market share and profitability may be negatively affected, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brand.

Certain analysts had predicted that the global mobile games market is expected to decline for the first time since the beginning of the smartphone era with the revenue forecasted to fall by 6.4% in 2022. Our Directors are of the view that such market outlook would not have a material adverse impact our financial performance and business operations. See “Business—Impact of Market Look on Mobile Game Industry”. However, there is no assurance that we will be able to deal with any material market volatility, and if we fail, our business and results of operations may be materially and adversely affected.

Our business and financial performance may be affected by the time of new game products’ launching and their performances.

During the Track Record Period, substantially all of our revenues were derived from marketing and operating online game products. In order to maintain our competitiveness and as part of our overall growth strategy, we need to launch new games to attract and retain paying users. In 2020, 2021, 2022 and the four months ended April 30, 2023, we launched 24, 73, 101 and 17 game products, respectively. New game products generally require significantly higher marketing efforts. As such, our the time of our new game products’ launching. In addition, it may require some time for our newly launched game products to attract paying users and

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therefore the performance of newly launched game products may adversely and materially affect our business and financial performance.

We operate in a rapidly evolving and developing industry, which makes it difficult to evaluate our future prospects.

We operate in China’s mobile game industry. The industry we primarily operate in is rapidly evolving and may not develop as we anticipate, which makes it difficult to evaluate our future prospects. We are subject to a variety of laws and regulations which are crucial to our business. The introduction of new service solutions, or other actions that we may take in the course of our business may subject us to additional laws, regulations, or other government scrutiny. Also, the recent implementation of regulations and policies by regulatory authorities may also affect the operations of our collaborating online media platforms and our collaborating distribution channels, and further affect our decision to cooperate with them and our business, results of operations and prospects.

Our business strategies are also subject to ongoing changes and development of the industry. These changes may not achieve expected results and may have material and adverse impacts on our financial condition and results of operations. You should consider our business and future prospects in light of the risks and challenges we may encounter, including, among other things, our ability to:

- attract new clients and retain existing clients;
- anticipate or respond to changes in the competitive landscape, or improvements in the functionality of competing solutions that reduce or eliminate one or more of our competitive advantages;
- innovate and adapt our solutions to meet evolving needs of current and potential clients;
- maintain and enhance the attractiveness and usefulness of our solutions to clients;
- maintain or enhance end-user experience;
- effectively market and operate game products and achieve anticipated financial performance;
- comply with existing and new laws and regulations applicable to our business;
- maintain or increase the breadth of implementing our solution in different industry verticals;
- develop and maintain a scalable, high-performance technology system that can efficiently and reliably manage increased usage, as well as the deployment of new features and solutions;

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- maintain trust of clients and end-users in us, our operations and solutions;
- expand collaboration partners, including collaborating media platforms;
- accurately forecast our future results of operations and improve our operational efficiency;
- attract, retain and motivate talented employees; and
- increase brand awareness among existing and potential clients/end-users through various marketing and promotional activities.

Any one of the factors referred to above or the cumulative effect of any combination of factors referred to above may result in our results of operations being below our expectations, or may result in significant fluctuations in our results of operations. This variability and unpredictability could result in our failure to meet our business plan for any period. If we fail to address the risks and uncertainties that we face, our business, financial condition and results of operations could be adversely affected.

If the mobile game industry fails to continue to develop, or develops or grows at a slower pace than expected, our profitability and prospects may be materially and adversely affected.

During the Track Record Period, we primarily served game product developers. Our business and prospects depend on the continuing development of mobile game industry, which may be affected by a number of factors, including:

- technological innovation or new business models or the changing requirements of clients;
- acceptance of us as an effective marketing channel and the emergence of other alternative collaborating distribution channels;
- changes in regulations or policies affecting our services;
- development of more contents to satisfy the evolving preferences of end-users; and
- growth of game product developers at large.

Such factors may be beyond our control. There is no assurance that the mobile game industry will continue to develop. Our business, financial condition, results of operations and prospects will be materially and adversely affected if the mobile game industry fails to grow or grows at a slower pace than we expect.

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Our historical operating results may not be indicative of our future growth, and, if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

We recorded revenue of RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7 million and 2,448.3 million for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively.

While our business has grown since 2020, we cannot assure you that we will be able to sustain our such growth rate for various reasons, including uncertainty of our continuous marketing and operation of mobile game products, intensified competition within the mobile game industry in China and amendments in the governing laws and policies which may have an impact on our business. Our revenue, expenses and results of operations may vary from period to period due to factors beyond our control. We cannot assure you that our future revenue will increase or that we will continue to be profitable. Accordingly, [REDACTED] should not rely on our historical results as an indication of our future financial or operating performance. We plan to achieve our business growth by implementing a series of strategies, such as broadening game product content and expand into new verticals, continuing to enhance our intelligence technologies and invest in technology and innovation, further enhancing brand development capabilities and expand offline consumer access channels, advancing the full lifecycle value chain and selectively pursuing strategic acquisition. There is no assurance that we will be able to implement our business strategies and expansion plans successfully, which in turn are subject to uncertainties and changing market conditions. In particular, our continued growth may subject us to the following challenges:

- ensuring the productivity of a larger team and recruiting, training and retaining talented personnel for our growing operations;
- successfully optimizing our existing marketing and operations of game products and launching new solutions that gain market acceptance;
- maintaining effective operational, financial and management controls across a larger operating scale; and
- responding to evolving industry standards and government regulations that impact our growing business.

In addition, our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage continuing expansion and growth of our operations and workforce, we will need to continue to improve our personnel management, transaction processing, operational and financial systems, policies, procedures and controls, which could be particularly challenging as we expand to new operations with different and incompatible systems in new industries or geographic areas. These efforts will require significant managerial, financial and human resources. There can be no assurance that we will be able to effectively manage our growth or to implement all these systems, policies,

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procedures and control measures successfully. If we do not manage our growth well, the efficacy and performance of our services may suffer, which could harm our reputation and reduce demand for our services. Failure to manage future growth effectively could have an adverse effect on our business, financial condition and results of operations.

We may not be able to achieve our anticipated benefits and financial performance from our new business.

We are exploring and will continue to explore other business, including in industries and markets in which we have limited or no experience, as well as new business models that may be untested or even create new markets. For example, our in-house developed instant food brand “Zha Zha Hui” was launched in late 2020. Such business are new and evolving, some of which are still at trial stage and may prove unsuccessful. We may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits that we expect to achieve or it may be more costly to do so than we anticipate. If, for any reason, the benefits we realize are less than our estimates, or the implementation of such business, strategies and operating plans adversely affects our operations, or it costs more or takes longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition and results of operations may be materially and adversely affected. Further, we may incur increasing sales and marketing expenditures, personnel expenses and compliance costs as more efforts on service development, brand and service promotion, general administration and legal compliance are required for our businesses newly launched or to be launched, and no guarantee on the effectiveness of our efforts can be given. Such expansion also increases the complexity of our operations and places a significant strain on our management, operational and financial resources. The challenges involved in expanding our business require our employees to handle new and expanded responsibilities and duties. If our employees fail to adapt to the expansion or if we are unsuccessful in hiring, training, managing and integrating new employees or retraining and expanding the roles of our existing employees, our business, financial condition, results of operations and prospects may be materially harmed. See also “— Risks Relating to Our Business and Industry — We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.”

As a result, we cannot assure you that any of our business will achieve wide market acceptance, increase the penetration of our addressable market or generate revenue or profit. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenue or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

The breakdown of our revenue by business model may affect our financial performance and results of operations.

The breakdown of our revenue by business line and business model (i.e., online game publishing business under the self-run and joint-run model) may affect our financial performance and results of operations. During the Track Record Period, a substantial majority of our revenue

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from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%, 82.8%, 72.2%, 73.0% and 65.1% of our revenue from our online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. In the meantime, revenue from marketing and operating online game products attributable to the joint-run model increased quickly as a general trend. Revenue from marketing and operating online game products attributable to the joint-run model was RMB453.3 million, RMB977.2 million, RMB2,383.8 million, RMB753.9 million and RMB814.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively, accounting for 15.8%, 17.2%, 27.8%, 27.0% and 34.9% of our revenue from our online game publishing business during these periods, respectively. As our gross profit margin under the joint-run model is generally lower compared to that under the self-run model, our overall gross profit margin may decline if a higher portion of our revenue is derived from the joint-run model.

If we cannot continue to innovate, adapt and respond timely and effectively to rapidly-changing technologies and evolving clients’ needs in the mobile game industry, our business, financial condition or results of operations and prospects could be materially and adversely affected.

China’s digital mobile game industry is fast-growing and subject to rapid and frequent changes in technologies, evolving clients’ needs and frequent introduction of new products. Without the timely introduction of new solutions and enhancements, our solutions could become technologically or commercially obsolete over time, in which case our revenue and results of operations would suffer. New client demands, superior competitive offerings or new industry standards could result in unanticipated and costly changes to our platform or business model. Failure to continue to innovate, or effectively identify and address new clients’ needs could severely damage our market position and erode our market share, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects. We have organically built our proprietary technology platform to support our business and corporate strategy, particularly the Hetu (河圖) system, our business intelligence analytics engine and the Luoshu (洛書) system, our intelligent end-user engagement system. See “Business — Our Technology Capabilities” for details. However, we must regularly introduce and upgrade our solutions and technologies to maintain and improve the technological competitiveness of our solutions and capabilities in order to meet evolving client demand and developing industry standards. We will need to continue to invest significant financial resources in product and infrastructure development to keep up with the pace of technological advancements as we continue to grow with a broader client base.

Failure to maintain the success and extend the lifecycle of the game products and competition from other products of the same genre with similar content may materially and adversely affect our business and results of operations.

The game products we market and operate generally experience several stages in their lifecycles, including (i) the growth stage, during which we build up an end-user base and achieve market coverage; (ii) the maturity stage, during which the game products tend to continuously and steadily generate revenue and the number of end-users generally remains stable; and (iii) the recession stage, during which the number of end-users and revenue generated decline. As a

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result, as our existing game product portfolio gradually progresses to a later stage of lifecycle, revenue generated from the relevant game products will typically decrease over time. The mobile game products we market and operate generate a significant portion of their revenues from either the growth stage or the maturity stage. However, the lifecycle stages vary from product to product and may not be indicative of a product rate of growth and revenue-generating capability. In addition, we cannot assure you for how long a product would stay at each lifecycle stage, or that a product with a shorter maturity stage may generate more revenue than a product with a longer maturity stage.

We cannot assure you that the products we market and operate can remain attractive to end-users as long as we expect, given that end-users change their preferences all the time. Furthermore, the genre, presentation and content of the products we market and operate are possible to be adopted, imitated or replicated by other competitors. They may leverage more abundant capital resources and more extensive distribution networks to market similar products that compete directly with the products we market and operate. As a result, our end-user base may be eroded and the level of user engagement with the products we market and operate may decrease. If the products we market and operate become less attractive or if the revenue generated from these games declines in any short or extended period of time for any reason, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to risks associated with our collaborating business partners. Any delay or failure by such parties to successfully perform their obligations, provide reliable or satisfactory services, or operate their businesses could adversely affect our business and results of operations.

We collaborate with third-party online media platforms to provide user traffic and distribute our marketing campaigns to reach potential end-users and monetize the game products. We maintain long-term relationships with various leading online media platforms in China, which enable our clients' game products to reach vast potential end-users. We also expand our business coverage to fast consumer food industry. We sell our instant prepared rice noodles on certain e-commerce platforms as well as offline stores.

We may rely on certain collaborating media platforms in promoting our games and in acquiring new users. We incurred approximately 58.3%, 87.8%, 84.5% and 83.8% of our total selling and marketing expenses for 2020, 2021, 2022 and the four months ended April 30, 2023, respectively, to promote the game products we market and operate via our top five collaborating media platforms, and 30.2%, 52.3%, 53.8% and 51.0%, respectively, of our total selling and marketing expenses for 2020, 2021, 2022 and the four months ended April 30, 2023, to the largest collaborating media platform.

We depend in part on our collaborating business partners, including mobile application stores, online media platforms and e-commerce platforms, to distribute the game products we market and operate, and conduct marketing campaigns and e-commerce activities. However, such platforms or their authorized agents may change any of terms under our framework agreement

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with them, or elect to collaborate with our competitors for more favorable terms. They may also place significant restrictions, including temporary take-downs of the game products we market and operate, restrictions on the use of specified creative content or format, which may prohibit advertisements from specific market segments or industries. In addition, in the event that any of our collaborating business partners lose its leading market position, or becomes less attractive to end-users for any reason, such as any negative publicity associated with it, or any negative development with respect to its market position, financial condition, maintenance of its platform infrastructure or compliance with legal or regulatory requirements in China, it may lead to a significant decrease in its end-user base, which in turn would affect the reach and popularity of advertisements or marketing campaigns or sales of our and our clients' products on it and further affect its attractiveness to our clients and us. If there is any loss or deterioration of our relationship with existing collaborating business partners and their authorized agents or if we violate the policies of any app stores, online media platforms or e-commerce platforms and are suspended from placing marketing campaigns with them or sell and distribute our products on their platforms, or if we fail to develop relationship with new online media platforms to expand the reach of potential consumers, we may not be able to find replacement from other platforms in a timely and cost-effective manner, or at all, which may materially and adversely affect our business, financial condition and results of operations.

In addition, we leverage the collaborating distribution channel's user base, marketing resources and back-end system for our joint-run model operations. These channels are mainly mobile application stores where do not have direct effective control. We are also required to comply with policies which may be amended from time to time of such mobile application stores and any violation of such polices or failure to meet other requirements of such mobile application stores may lead to take-downs of the game products we market and operate, negative ratings and rankings, and restrictions on our end-user traffic, which may have an adverse impact on our business operations and financial performance. In addition, any delay or failure of performance by such collaborating distribution channels to continue operations, comply with applicable laws and regulations or any negative publicity on these collaboration channels could damage our reputation, expose us to significant penalties and decrease our total revenues and profitability. We cannot assure you that we will continue to maintain favorable relationships with such collaborating distribution channels, and any failure to do so could materially and adversely affect our business and results of operations could be materially and adversely affected.

We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.

Due to the nature of our online game publishing business and other marketing business, we may be subject to legal proceedings and claims relating to the IP rights from time to time in the ordinary course of our business. There are uncertainties associated with legal proceedings. If the court rules against us, we may be ordered to cease operations of certain of our business, which may in turn have a material and adverse effect on our business, financial condition and results of operations, as well as cause negative publicity and tarnish our reputation. We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other IP rights held by third parties.

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We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the IP rights of others. As of the Latest Practicable Date, we were subject to four ongoing IP-related lawsuits (Lawsuits A, C, D and E) in the PRC. Lawsuits A and C had been ruled partially in favor of the plaintiffs by the relevant lower courts and were pending before the appellate courts. We have received the final judgments for Lawsuits B and D, pursuant to which Lawsuit B had been closed and Lawsuit D was under enforcement procedures as of the Latest Practicable Date. Based on the current rulings and pending the appellate courts’ review (where applicable), the total monetary damages in connection with Lawsuits A, B, C and D paid or payable by us and other co-defendants was RMB9.15 million. As of the Latest Practicable Date, Lawsuit E was still at an early stage.

From July 2017 to October 2019, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed four lawsuits in courts in Beijing, Shanghai, Hangzhou and Chengdu, with respect to four games that we operated, alleging, among others, that (i) such games marketed and operated by us infringe copyrights of the plaintiffs; and (ii) some of those games involve misleading advertising or unfair competition. As of the Latest Practicable Date, we had received final judgment from the appellate court with respect to Lawsuits B and D, while Lawsuits A and C remained pending in the relevant appellate courts. Revenue attributable to the games subject to the ongoing IP-related lawsuits, as a percentage of our total revenue, declined during the Track Record Period, accounting for 56.4%, 25.5%, 13.5% and 11.5% of our total revenue in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. We expect that the revenue percentage attributable to such games will continue to decline in the future, as we further diversify the game portfolio.

In addition, in March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the provincial court in Fujian Province alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate the PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. This lawsuit is still at its early stage. For further details of the aforementioned lawsuits, see “Business — Legal Proceedings and Compliance — Legal Proceedings.”

We are vigorously defending ourselves in the ongoing lawsuits, and we believe we have valid legal grounds to defend these claims. However, the application and interpretation of China’s copyrights laws will be amended at times, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. We cannot assure you that we will not be subject to similar legal, regulatory and/or administrative proceedings in the future. In case of any disputes or lawsuits, there can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment, ruling or decision against us. Any of these or future proceedings or actions or claims, with or without merit, could be costly and distract our management from day-to-day operations. We may incur substantial legal expenses in defending against such infringement claims, regardless of their merits. If we fail to successfully defend against these claims or do not prevail in such proceedings, we may be prohibited from using the relevant IP rights, subject to fines and penalties, or be required to modify or cease operation of

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the game products we market and operate, or enter into royalty or licensing arrangements with use fees or be forced to develop alternatives on unfavorable commercial terms, which in turn could materially and adversely affect our business, financial condition and results of operation.

A vast majority of our revenue depends on the gross billings of the game products we market and operate, and failure to monetize effectively through in-game purchases may adversely affect our business.

A vast majority of our revenue depends on the gross billings of the game products we market and operate. We typically charge the client a service fee as a percentage of the gross billings from in-game purchases of the marketed product by end-users. In 2020, 2021, 2022 and the four months ended April 30, 2023, our average MPUs were 660.6 thousand, 1,121.7 thousand, 1,770.4 thousand and 1,165.8 thousand, respectively, representing 13.0%, 15.7%, 17.7% and 12.4%, respectively, of the average MAUs for the same years/periods. As a result, the numbers of our registered end-users and active end-users do not necessarily indicate our actual and potential revenue-generating capabilities.

Our sustainable revenue growth depends in part on our ability to effectively encourage more players to make or increase their in-game virtual item purchases. However, spending in the game we operate is discretionary, and end-users can be sensitive to the price of the virtual items. Consequently, we have made great efforts in marketing in-game virtual items and carefully assess the pricing of these items to optimize user monetization, but these efforts may not be as effective as we anticipate. We might also fail to identify and introduce new and popular virtual items and price them appropriately.

We also need to provide easy, fast and safe payment solutions to our end-users to facilitate in-game purchases and prevent our end-users from being discouraged or inconvenienced by complicated online payment processing procedures. We cannot assure you that our third-party payment service providers will operate consistently in an efficient way, and any interruption of their payment services could affect the monetization of our end-user base, which in turn could adversely affect our revenue and profitability. See “— Risks Relating to Our Business and Industry — We collaborate with third-party online payment channels for payment collection. Any interruption of their services or unintended leakage of confidential information may materially and adversely affect our reputation and business” for more information on our cooperation with third-party online payment channels.

We may be subject to revenue concentration from a small number of paying users in the future.

There are inherent risks whenever a large percentage of total revenue is concentrated with a limited number of paying users. It may not be possible for us to predict the future level of demand for a game product that happens to generate revenue from a small number of paying users. In 2020, 2021, 2022 and the four months ended April 30, 2023, gross billings contributed from our top 1% paying users accounted for 55.4%, 60.2%, 60.1% and 49.8%, respectively, of our total gross billings for the respective years/periods. Any actions taken by such paying users

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could have an adverse effect on our results of operations. In addition, in the event that a large percentage of our total revenue is concentrated with a limited number of paying users, our financial performance may fluctuate from time to time for reasons outside of our control. There can be no assurance that we can maintain relationships with such paying users. If any of the foregoing were to occur, we could be pressured to reduce the prices we charge for our services or risk losing them, which could have an adverse effect on our revenue and margins, and could negatively affect our financial position and results of operations.

We rely on our Hetu (河圖) and Luoshu (洛書) systems to generate certain key operating metrics, and any malfunction or interruption of the technical infrastructure of our Hetu (河圖) and Luoshu (洛書) systems may affect the accuracy of our data analytics.

We rely on our data analytics capabilities to identify target end-users more accurately, improve end-user experience and optimize our marketing and operation services for game products. In particular, our proprietary business intelligence analytics system, the Hetu (河圖) system, has data analytics and estimation capabilities, which enables us to provide millisecond real-time data inquiry, accurate traffic value prediction, precise marketing and intelligent data analysis. In addition, we have a proprietary intelligent end-user engagement system, the Luoshu (洛書) system, which enables us to distribute and manage marketing campaigns on collaborating online media platforms to enhance the end-user coverage with minimized human operations. As of April 30, 2023, our Luoshu (洛書) system has been connected to over 220 collaborating online media platforms. to achieve one-stop marketing campaign placements. However, the marketing campaign placement capability of our Luoshu (洛書) system is largely dependent on the interface stability between the Luoshu (洛書) system and the collaborating online media platforms. Any technical issues concerning connectivity may adversely affect the functionality of our Luoshu (洛書) system, which may have an adverse effect on our business, financial condition and results of operations.

In addition, our data may be inaccurate due to technical errors, security breaches or hacking incidents. Our clients or our collaborating online media platforms may refuse to share any such data with us. Therefore, we may fail to gather or retain critical data in time, or ensure the accuracy and quality of data, which would yield inaccurate or misleading analytical results. If our clients do not perceive our metrics to be accurate representations of the outcome or effects of our marketing campaigns, or if we discover material inaccuracies in our operating metrics, our reputation may be harmed and clients may be less willing to allocate their resources to us, which could materially and adversely affect our business and results of operations.

Failure to maintain or improve our technology system could harm our business and prospects.

We are continuously upgrading our technology system to strengthen the scale and performance of data generating capabilities to address our clients’ needs. Any failure to maintain and improve our technology system could result in unanticipated system disruptions, slower response times, impaired end-user experience, delays in reporting accurate operating and financial information and failures in risk management. The risks are even higher during certain

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periods of peak usage and activity. If we experience problems with the functionality and effectiveness of our software, interfaces or platform, or are unable to maintain and continuously improve our technology system to handle our business needs, our business, financial condition, results of operations and prospects, as well as our reputation and brand, could be materially and adversely affected. We also face the risks in relation to unstable technology system and susceptible security breaches. See “— Risks Relating to Our Business and Industry — Systems disruptions or other hacking and phishing attacks on our systems and security breaches may delay or interrupt services to our clients and their end-users, harm our reputation and subject us to significant liability, which, in turn, may adversely affect our business, financial condition and results of operations.” This instability or susceptibility could create serious challenges to the security and uninterrupted operation of our solutions and services, which could materially and adversely affect our business and reputation.

Furthermore, our technology systems utilized third-party developed software, systems and technologies, as well as hardware purchased or commissioned from outside suppliers. We face increasingly serious risks to the performance and security of our technology system that may be caused by these third-party developed components, including risks relating to incompatibilities among these components, service failures or delays or back-end procedures on hardware and software.

Undetected programming errors or defects in our clients’ products, such as gaming product and online literatures could harm our reputation and materially and adversely affect our business.

Despite the pilot testing prior to the release and throughout the lifecycle of a game product, particularly gaming products and online literatures, are subject to frequent improvement and updates and may contain bugs or flaws that may become apparent only after accessing by end-users. From time to time, end-users may inform our clients of programming bugs affecting their experience, and our clients may not be able to resolve such programming bugs or flaws in a timely manner. The detection and correction of any errors in commercialized game products can be time consuming and costly. Errors in marketed products could affect their ability to properly function or operate, could delay the development or release of new products or new versions of products of our clients. This could also result in security vulnerabilities in our clients’ products and adversely affect market acceptance of our clients’ products, all of which, in turn, will affect the quality and success of our marketing and operation services for game products and our results of operations. As a result, our clients may lose end-users, and our reputation and market acceptance of our game product marketing and in-depth operation service may also suffer, therefore adversely affecting our business.

We rely on assumptions and estimates to calculate certain operating metrics, and inaccuracies in such metrics may harm our reputation and adversely affect our business.

Certain operating metrics, such as MAU, MPU, ARPPU, cumulative registered users and other player community related metrics, in this document are calculated using our internal data that have not been independently verified by third parties. While these numbers are based on

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what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. In addition, our operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing our operating performance. We cannot assure you about the indicative value of our operating metrics. They are derived and calculated based on various assumptions and estimates, which may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in data availability, sources and methodology. Any material inaccurate data analytics may lead to inappropriate operational and strategic decisions. If our clients do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and our clients may be less willing to allocate their resources or spending to us, which could adversely affect our business and results of operations.

Our business generates and processes a large amount of data, including personal and business data, and the improper collection, hosting, use or disclosure of data could harm our reputation and have a material and adverse effect on our business and prospects.

Our business generates and processes a large quantity of end-user and end-user group profiles based on our analysis of personal data. Upon prior authorization, we have access to and collect, store, process and analyze certain data arising from individual end-users using the game products (such as online games) we market and operate. We implement various data protection measures. We currently retain our data in secure database servers and are granted limit access to such information. Our privacy policies concerning the collection, use and disclosure of personal data are posted on relevant pages of the products we market or operate. For more details regarding how we protect data, see “Business — Data Arrangement and Privacy.” However, we still face risks inherent to handling and protecting a large volume of data, especially end-user data. In particular, we face a number of challenges relating to data security and privacy, including but not limited to:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties, data leakage or fraudulent behavior or improper use by our employees or business partners;
- addressing concerns, challenges, negative publicity and litigation related to data security and privacy, collection, use and actual or perceived sharing (including sharing among our own businesses, with business partners or regulators), safety, security and other factors that may arise from our existing businesses or new businesses and technology, such as new forms of data (for example, biometric data, location information and other demographic information); and
- complying with applicable laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personal data, including requests from data subjects and compliance requirements in accordance with applicable laws and regulations.

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Along with users’ greater awareness of the use of personal data by others, users’ expectations of data privacy and protection are also increasing. User concerns about the extent to which personal information is accessible to, used by or shared with our clients or others may adversely affect our ability to gain access to data and provide services to our clients. Moreover, if a high profile security breach occurs with respect to other game product marketing and operation service providers, people may lose trust in the security of marketing and operation solution providers generally, including us, which could damage the reputation of the whole industry, result in heightened regulation and strengthened regulatory enforcement and adversely affect our business and results of operations. There have been reports of a number of incidents relating to data security and unauthorized use of end-user data by other high-profile Internet and technology companies and their business partners. We cannot assure you that we will always be able to prevent unauthorized individuals or groups from gaining access and obtaining our end-user data for any purpose. The improper collection, use or disclosure of our end-user data could result in loss of confidence or trust in us and subsequently loss of our clients. This may also result in litigation, regulatory investigations, penalties or actions against us, significant damage to our reputation, and have a material and adverse effect on the trading price of our Shares, our business, financial condition, results of operations and prospects.

In addition, we are subject to various PRC laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personally identifiable information with respect to our clients and employees including any requests from regulatory and government authorities relating to this data. See also “— Risks Relating to Our Business and Industry — We are subject to complex and evolving laws, regulations and governmental policies regarding data security and privacy. Actual or alleged failure to comply with data security and privacy laws, regulations and governmental policies could damage our reputation, deter current and potential end-users from using our services and could subject us to significant legal, financial and operational consequences.”

We are subject to applicable laws, regulations and governmental policies regarding data security and privacy. Actual or alleged failure to comply with data security and privacy laws, regulations and governmental policies could damage our reputation, deter current and potential end-users from using our services and could subject us to significant legal, financial and operational consequences.

Regulatory authorities have implemented and are considering further legislative and regulatory proposals concerning data security and privacy. New laws and regulations that govern new areas of data security and privacy or impose more requirements may be introduced in the PRC and other jurisdictions where we conduct business and may have the potential to significantly affect the value of our data and require us to change our data security and privacy practices and other business activities.

We are subject to a variety of laws and other obligations relating to the security and privacy of data, including, among others, (i) PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, (ii) PRC Data Security Law (《中華人民共和國數據安全法》), or the Data Security Law, and (iii) PRC Cyber Security Law (《中華人民共和國網絡安全法》), or the Cyber Security Law. See “Regulatory Overview” for a detailed description of the PIPL, the Data

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Security Law and the Cyber Security Law. The PIPL, which came into effect on November 1, 2021, is China’s first national-level legislation on personal data protection, aiming to enhance personal data protection by codifying into law the best practices from home (e.g., the national standards on Personal Information Specification) and abroad (e.g., GDPR). The Data Security Law, which came into effect on September 1, 2021, regulates data processing activities and security supervision in the PRC. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. The Cyber Security Law, which came into effect on June 1, 2017, along with the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (effective since June 1, 2017), and Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) (effective since September 1, 2013), provides that an internet information service provider is required to obtain a user’s consent to collect and use the user’s personal information, and is prohibited from gathering personal information unrelated to its services. The internet information service provider must also (i) explicitly inform the user of the purposes, methods and scope of the information collection and uses and (ii) establish a user information protection system with appropriate remedial measures. Together, these laws and related regulations impose restrictions on the collection, use and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen or tampered with. If a personal data processor wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, the personal data processor must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Personal data processors are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential and take technological and other measures to maintain the security of such information.

Our services involve personal data collection and processing subject to the PIPL, the Data Security Law and the Cyber Security Law. Upon prior authorization, we have access to and collect, store, process and analyze certain data arising from individual end-users using certain game products (such as online games) for which we provide marketing and operation services. The personal information we are authorized to access typically include name, identity card number, e-mail, mobile phone number, address, published content, payment information, device information, log information and certain behavioral data, such as end-user login time, duration of using services, and searched content. We are allowed to access, store, integrate, process and analyze in our database the related data, unless the authorizing party asks us to delete from our database the related data. In addition, we store in our database and own the data insights we generate after processing and analyzing the personal information provided to us. During the Track Record Period, we had not experienced any material breach of the PRC laws and regulation governing data security and privacy or any incidents of data security breach. However, we cannot sure that we will not be found in the future to be in violation of any such laws and regulations, which are subject to changes.

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Additionally, on July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the CII Regulations, which became effective on September 1, 2021. Pursuant to the CII Regulations, critical information infrastructure refers to any important network facilities or information systems of an important industry or field specified. In addition, relevant administration departments of each critical industry and sector are responsible for formulating eligibility criteria and determining the critical information infrastructure in the respective industry or sector. The operators will be informed about the final determination as to whether they are categorized as critical information infrastructure operators, or CIIOs. As of the Latest Practicable Date, no detailed rules or interpretations have been issued and we have not been informed as a CIIO by any governmental authorities. It is uncertain whether we would be deemed as a CIIO under PRC law in the future. If we are identified as CIIO, we will be subject to stricter requirements on business operations and cybersecurity compliance, and we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services, and if a cybersecurity review is applicable, we may be required to suspend providing any existing or new services to our users, and we may experience other disruptions of our operations.

In addition, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the “CAC”) issued on November 14, 2021 the consultation draft of its Cyber Data Security Administration Regulations(《網絡數據安全管理條例(徵求意見稿)》), which, among other things, require companies seeking a listing in Hong Kong to undergo a cyber-security review if the listing in Hong Kong may affect national security. As of the Latest Practicable Date, the consultation draft of the Cyber Data Security Administration Regulations has not been formally adopted. We cannot guarantee whether we will be subject to the cyber security review for our [REDACTED] or if new rules or regulations promulgated in the future will impose additional compliance requirements on us. On December 28, 2021, the CAC and other 12 PRC regulatory authorities jointly published the Measures for Cybersecurity Review (《網絡安全審查辦法》) (“Measures”) which came into effect on February 15, 2022. Pursuant to the Measures, an online platform operator who possesses personal information of more than one million users that seek for listing in a foreign country shall apply for cybersecurity review, and the relevant government authorities may initiate cybersecurity review if they consider that the relevant products, services and data processing affect or may affect national security.

On July 7, 2022, the CAC issued the Measures for the Security Assessment of Outbound Data Transfers (《數據出境安全評估辦法》), which became effective on September 1, 2022. These measures require the data processor providing data overseas and falling under any of the following circumstances to apply for the security assessment of cross-border data transfer with the local provincial-level counterparts of the national cybersecurity authority: (i) where the data processor intends to provide important data overseas; (ii) where a critical information infrastructure operator and a data processor who has processed personal information of more than 1,000,000 individuals intends to provide personal information overseas; (iii) where a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients, in each case as calculated cumulatively, since January 1 of the last year intends to provide personal information overseas; and (iv) other circumstances where the security assessment of data cross-border transfer is required as

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prescribed by the CAC. Furthermore, the data processor shall conduct a self-assessment on the risk of data cross-border transfer prior to applying for the foregoing security assessment, under which the data processor shall focus on certain factors including, among others, the legitimacy, fairness and necessity of the purpose, scope and method of data cross-border transfer and the data processing of overseas recipients, the risks that the cross-border data transfer may bring to national security, public interests and the legitimate rights and interests of individuals or organizations as well as whether the cross-border data transfer related contracts or the other legally binding documents to be entered with overseas recipients have fully included the data security protection responsibilities and obligations. If we are required to report security assessments for cross-border data transfers, we do not foresee any material legal impediments for us to comply with the Measures for the Security Assessment of Outbound Data Transfers in material respects, and would not give rise to material and adverse impact on our business operation or the [REDACTED].

We expect that we will continue to face challenges as to whether our efforts to comply with applicable obligations under data protection, privacy and security laws will be sufficient. In addition, any failure or perceived failure by us or our business partners to comply with any applicable data privacy and protection laws and regulations, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted transfer or confiscation of certain personal information, require us to change our business practices, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with clients, vendors and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law. Any of these could have a material and adverse effect on our business and results of operations.

Systems disruptions or other hacking and phishing attacks on our systems and security breaches may delay or interrupt services to our clients and their end-users, harm our reputation and subject us to significant liability, which, in turn, may adversely affect our business, financial condition and results of operations.

We rely heavily on technologies to provide automated and optimized game product marketing and operation services. However, our operations are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology system that supports the offering of our services could materially harm our business and reputation.

Despite our efforts to develop security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of client information,

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or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us, we may be unable to anticipate, or implement adequate measures to protect against, these attacks. There can be no assurance that we would not in the future be subject to such attacks that may result in material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liabilities, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and client dissatisfaction.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our clients, or the information infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Cybersecurity breaches may harm our reputation and business, and materially and adversely affect our financial condition and results of operations.

Moreover, we face inherent risks when handling and protecting large volumes of data, including protecting the data stored in our system, detecting and prohibiting unauthorized data share and transfer, preventing attacks on our system by outside parties or fraudulent behavior or improper use by our employees, and maintaining and updating our database. Any system failure, security breach or third parties attacks or attempts to illegally obtain the data that results in any actual or perceived release of end-user data could damage our reputation and brand, deter current and potential clients from using our services, damage our business, and expose us to potential legal liability. See also “— Risks Relating to Our Business and Industry — Our business generates and processes a large amount of data, including personal and business data, and the improper collection, hosting, use or disclosure of data could harm our reputation and have a material and adverse effect on our business and prospects.”

We face various risks associated with our rights to use IPs in connection with marketing and operation of game products developed by our clients, which could adversely affect our business and results of operations.

Our services are provided based on the authorization by our clients which grant us the right to use certain IP rights, especially copyrights and trademarks in connection with our marketing and operation of game products developed or provided by our clients. These authorizations generally have terms ranging between three and five years, some of which may have a longer term, and are typically not automatically renewable, and may be terminated early due to certain reasons such as a material breach. For games we believe to have continuing market potential, we typically discuss with our clients on our intent to extend the authorization beyond the existing marketing and full lifecycle operations or the license period, and enter into new agreements based on the negotiation.

We believe our ability to retain our use rights depends, in large part, on our relationships with our clients. Any events or developments adversely affecting those relationships could

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adversely affect our ability to maintain and extend our rights on similar terms or at all. We cannot assure you that all of the existing rights could be extended if we desire to do so. Under the agreements with our clients, the content providers own the IP rights in the products we are authorized to market and operate, and upon termination of the agreement, we typically no longer have the right to use the license IP rights without our licensors’ consent, unless new contractual arrangements are made. The termination or failure to extend our rights could have a material and adverse effect on our business, financial condition and results of operations. While we may enter into additional agreements in the future, the terms of such license agreements may be less favorable than the terms of our existing agreements, and the underlying IPs may also be less likely to be commercially successful.

If we breach any obligations set forth in any of our agreements with our clients, we could also be subject to monetary penalties and our rights under such agreements could be terminated, either of which could have a material and adverse effect on our business, financial condition and results of operations.

Our success is also partially dependent on the ability of our clients to protect and maintain the IP rights that we use in connection with our services, all of which may be harmed by factors outside our control. See also “— Risks Relating to Our Business and Industry — If we are unable to obtain, maintain and protect our IP rights, in particular copyrights and trademarks, or if our clients are unable to maintain and protect their IP rights that we use in connection with our services and products, our ability to compete could be negatively affected.”

If we are unable to obtain, maintain and protect our IP rights, in particular copyrights and trademarks, or if our clients are unable to maintain and protect their IP rights that we use in connection with our services and products, our ability to compete could be negatively affected.

The success of our business, particularly our brand development capability, depends to a significant extent upon the value associated with our IPs. Although certain of our proprietary and authorized IPs, including copyrights and trademarks, have been registered in applicable jurisdictions, there can be no assurance that we will be able to use, maintain or defend them in the future. We rely on copyright, trademark and other IP laws, as well as license agreements, confidentiality agreements or other contractual arrangements of the same or similar nature, to establish and protect our IP rights or other proprietary rights. However, these laws and restrictions may provide only limited protection and any of our IP rights may be challenged, invalidated, circumvented, infringed or misappropriated, including by counterfeiters. The costs required to protect our copyrights, trademarks and other IP rights may be substantial.

In addition, we may fail to apply for, or be unable to obtain, protection for the IPs used in or beneficial to our business, including the IPs we created in exploring other business. We cannot provide assurance that our applications for copyrights, trademarks and other IP rights will be granted, or, if granted, will provide sound and effective protection.

Any lawsuits or proceedings that we initiate to protect our copyrights, trademarks and other IP rights could be expensive, take significant time and divert management’s attention from other

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business concerns. We may not prevail in any lawsuits or other proceedings that we initiate and the damages or other remedies awarded, if any, may not be commercially valuable. Additionally, we may provoke third parties to assert claims against us. See also “— Risks Relating to Our Business and Industry — We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.”

In particular, engaging in online game publishing business and other marketing business may bear the copyrights, trademarks and other IP rights of our clients, and the value of our services is affected by the value of those rights. Our clients’ ability to maintain and protect their copyrights, trademarks and other IP rights is subject to risks similar to those described above with respect to our IP rights. We do not have full control over our clients’ protection of their own copyrights, trademarks and other IP rights and cannot ensure that they will be able to secure or adequately protect their copyrights, trademarks and other IP rights. Moreover, we cannot assure you that the intellectual property rights or licenses held by our clients with respect to games operated by us will not be adjudged as defective, and if such intellectual property rights or licenses are disputed or found to be defective, our operation of such games and our licenses obtained from such clients may subject us to potential IP infringement disputes and lawsuits, and may adversely affect our reputation, business, results of operations and financial performance and divert our managerial attention and resources. We have put in place internal policies and measures to guide our operations without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties, including due diligence on the intellectual property rights of the products that our clients authorize us to market and operate. Despite such policies and measures, we cannot assure you that we will not continue to be subject to legal, regulatory and/or administrative proceedings in the future incidental to our ordinary course of business.

The loss of any of our proprietary or authorized copyrights, trademarks or other IP rights important to our business could have a material and adverse effect on our business, financial condition and results of operations.

Illegal game servers, unauthorized character enhancements and other infringements of our intellectual property rights, as well as theft of in-game goods and other violations of the policies of the game products we market and operate, could harm our business and reputation and materially and adversely affect our results of operation.

With the increased competition in the mobile game industry in China, we face the risks of illegal game servers, unauthorized character enhancements and other infringements of our intellectual property rights as well as the risk of theft of in-game goods purchased by end-users. Misappropriation of the server installation software and the establishment of illegal servers of the game products we market and operate could harm our business and reputation and materially and adversely affect our results of operations.

In particular, we face risks associated with illegal game servers, which are game servers that misappropriate the source codes of online games to operate unauthorized copies of online games and permit end-users to play those games or use in-game virtual items without paying.

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Certain of our competitors have reported that their games have been illegally operated on local game servers, and we could experience similar problems in the future. We may also detect unauthorized modifications of our source codes or execution files to enhance the performance of our end-users' game characters, including acquiring special equipment and other performance-enhancing virtual items, and unauthorized optimization of features of game characters. Continued occurrences of such activities in our games may harm our end-users' experience and adversely affect the image of our games and end-users' perception of game reliability, drive away end-users and reduce in-game purchases, shorten the lifespan of games, and adversely affect our results of operations. Incidences of illegal server usage and unauthorized character enhancements were minor during the Track Record Period and they had not had a material impact on the operations of the games we market.

From time to time, we may detect a number of end-users who have gained an unfair advantage by installing tools that fraudulently facilitate character progression. We cannot assure you that we will be able to identify and eliminate new illegal game servers, unauthorized character enhancements or other infringements of our intellectual property rights in a timely manner, or at all. The deletion of unauthorized character enhancements requires the affected end-users to restart with a new character from the starting level, and this may cause some of these end-users to cease playing the game altogether. If we are unable to eliminate illegal servers, unauthorized character enhancements or suffer other infringement of our intellectual property rights, our end-users' perception of the reliability of the game products we market and operate may be negatively impacted, which may reduce the number of end-users, shorten the lifespan of the game products we market and operate and adversely affect our results of operations.

From time to time, end-users may register in scale to obtain in-game virtual items for sale and unauthorized transactions are arranged through third-party channels or platforms which we are not able to monitor or control. Any of these unauthorized purchase and sale could impede our revenue and profit growth by (i) creating downward pressure on the prices we charge end-users for our virtual items, (ii) increasing costs we incur to develop technological measures to curtail unauthorized transactions, (iii) increasing end-user service costs to comfort dissatisfied end-users and (iv) increase our administrative costs related to resolving user disputes and complaints related to the virtual items and accounts. In addition, transactions through unauthorized third-party channels may involve fraud that is beyond our control, and we may face potential claims from our end-users in connection with their losses resulting from third parties' fraudulent activities. These claims, regardless of merit, may harm our reputation, divert our management's attention and cause additional expenses in defending against these claims.

We cannot assure you that we will be able to design and develop consumer product business that will be popular with consumers, or that we will be able to maintain the popularity of successful products.

The interests of consumers evolve extremely quickly and can change dramatically from time to time. To be successful, we must anticipate both the IPs and the products that will appeal to consumers and quickly develop and introduce consumer product business that can compete successfully for consumers' limited time, attention and spending.

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Evolving consumer tastes and shifting interests, coupled with an ever changing and expanding pipeline of consumer products and content that compete for consumers’ interest and acceptance, create an environment in which some products and content can fail to achieve consumer acceptance, while others can be popular during a certain period of time but then be rapidly replaced. As a result, consumer products can have relatively short lifecycles. In addition, given the growing market for digital products and the increasingly digital nature of pop culture, there is also a risk that consumer demand for such products may decrease over time. Consumer demand for pop culture products can and does shift rapidly and without warning. Even if our product offerings are initially successful, there can be no guarantee that we will be able to maintain their popularity with consumers. Accordingly, our success will depend, in part, on our ability to continually create and introduce consumer product business or other business that consumers find appealing. To the extent that we are unable to do so, our sales and profitability will be adversely affected. If we devote time and resources to developing and marketing products that consumers do not find appealing enough to meet our sales targets or at all, our sales and profits may decline and our business performance may be damaged.

We may fail to successfully enter necessary or desirable strategic alliances or make acquisitions or investments, and we may not be able to achieve the anticipated benefits from these alliances, acquisitions or investments we make.

We may evaluate and consider strategic investments and acquisitions or enter into strategic alliances to expand our business as to further enhance our competitive position. For example, we intend to allocate approximately 10.0%, or HK\$[REDACTED], of our [REDACTED] from the [REDACTED], to explore potential strategic investments and acquisition opportunities. Also, we intend to allocate approximately 10.0%, or HK\$[REDACTED], of our [REDACTED] from the [REDACTED], to improve our technology capabilities, including implementing various marketing and operation software for marketing and operating game products, including firewalls and other internet security software, data transmission software and software for designing marketing materials, and purchasing additional cloud services products, software and other maintenance-related services. To execute such strategies, additional talents may be recruited to support the collaboration between our existing business and new investments and acquisitions so as to enhance the potential of creating synergies with our development strategies. We intend to allocate approximately 4.0%, or HK\$[REDACTED], of our [REDACTED] from the [REDACTED], to recruit more talents focusing on algorithms, data analysis and software engineering with competitive compensation. Investments or acquisitions involve numerous risks, including potential failure to achieve the expected benefits of the integration or acquisition; difficulties in, and the cost of, integrating operations, technologies, services and personnel; potential write-offs of acquired assets or investments; and downward effect on our results of operations. These transactions will also divert our management’s time and resources from our normal course of operations, and we may have to incur unexpected liabilities or expenses, or we may not be able to continue to support the value we allocate to these acquired businesses, including their goodwill or other intangible assets. If we do not successfully execute or effectively operate, integrate, leverage and grow acquired businesses, our financial results and reputation may suffer.

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In addition, we may also in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with potential leakage of proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. Our strategy for long-term growth, productivity and profitability depends in part on our ability to make prudent strategic investment or acquisition decisions and to realize the benefits we expect when we make those investments or acquisitions. While we expect our past and future acquisitions to enhance our value proposition to clients and improve our long-term profitability, there can be no assurance that we will realize our expectations within the time frame we envisage, if at all, or that we can.

Our focus on long-term performance as well as long-term strategic initiatives and investments may affect our results of operations in the short term.

We focus on the long-term interests of our clients that utilize our precision marketing and in-depth operation capabilities for game products. We are dedicated to creating sustainable long-term value for them by enhancing our service quality to better address their needs. We have made, and will continue to make, significant investments in developing our technology capabilities to attract new clients and to better serve our clients, enhance client experience, and expand the capabilities and scope of our services.

We believe these investments are important to our long-term success and future growth, but they may have the effect of increasing our costs and lowering our margins and profit, and this effect may be significant in the short term and potentially over longer periods. For example, we have made significant investments to ensure we remain at the forefront of data management, AI development, in-depth operation and marketing automation. There can be no assurance that we will not engage in any investment in business or undertake any strategic initiative that may have similar or larger negative impact on our profitability in the future, or that we will realize the expected benefit of these investments.

If we fail to maintain and enhance our brand image and generate positive publicity, or if our shareholders, directors, officers, employees and business partners are involved in negative publicity and allegations, our business, financial condition and results of operations could be materially and adversely affected.

We believe that maintaining and enhancing our brand is essential for the success of our business. Our operational and financial performance is highly dependent on the strength and market perception of our brand. Our brand is critical in building long-term relationships with our clients, suppliers and end-users. Maintaining and enhancing our brand and brand name depends largely on our ability to provide effective precision marketing and in-depth operation to the game products and maintain market leadership and also have great development in exploring other innovation business, which we cannot assure you we will do successfully. Errors, defects, disruptions or other performance issues with our services or products may harm our reputation and brand, and we may introduce new services or products which might be poorly received by our clients and end-users. Additionally, if our clients and end-users have a negative experience

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using our services or products, such an encounter may affect our brand and reputation within the industry.

We believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful services and products with competitiveness, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We have conducted various online and offline marketing activities, as well as client acquisition activities to build and increase our brand awareness. These activities, however, may not be successful or yield increased revenue. The promotion of our brand also requires us to make substantial expenditures, and we anticipate these expenditures to increase as the markets we address become more competitive and as we expand into new markets. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our selling and distribution expenses amounted to RMB1,916.7 million, RMB3,851.2 million, RMB5,622.4 million, RMB1,919.1 million and RMB1,391.6 million, respectively, representing 66.7%, 67.1%, 63.8%, 67.4% and 56.8% of our total revenue during the same years/periods. We cannot assure you, however, that our marketing spend will lead to increased consumers or increased revenue, and even to the extent that these marketing activities are effective, the additional revenue generated could nevertheless be insufficient to offset the relevant increased expenses. If we fail to maintain and enhance our brand, our pricing power may decline compared to competitors and we may lose existing or prospective clients, which could materially and adversely affect our business, financial condition and results of operations.

In addition, our shareholders, directors, officers, employees, associates and business partners may be subject to negative media coverage and publicity. We may also from time to time receive negative publicity, including negative Internet and blog postings about us, our business, our management or other stakeholders, which could threaten the perception of our brand and therefore the game products we market and operate. Negative publicity may come from malicious harassment or unfair competition acts by third parties. Such negative coverage in the media and publicity could change market perception that we are a trustworthy game product marketing and operation solution provider. We may even be subject to government or regulatory investigation as a result of such negative publicity and may be required to spend significant time and incur substantial costs to defend ourselves. We cannot assure you that we will be able to defuse such negative press coverage to the satisfaction of our investors, collaborating distribution channels, collaborating online media platforms and strategic partners. Harm to our brand and reputation can also arise for many other reasons, including misconduct of our employees or any third parties we conduct business with. See also “— Risks Relating to Our Business and Industry — Failure to deal effectively with fraudulent or illegal activities by our employees would harm our business.” As a result, our brand and reputation may suffer, our operational and financial performance may be negatively impacted, and the price of our Shares may decline.

We are subject to risks related to the celebrity spokespersons or marketing campaigns in connection with these persons.

In developing marketing plans for our clients, we may engage celebrity spokespersons to promote a particular product. We have cooperated with more than 30 celebrity spokespersons in

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promoting the game products we market and operate. However, we are unable to always control the behaviors, comments and content made by such persons. It is possible that certain spokespersons may engage in illegal, immoral, obscene or inflammatory conversations or activities, including posting inappropriate or illegal content that may harm the interests or feelings of the public or the country. In extreme circumstances, the celebrity spokesperson may be banned by the relevant government authorities, and the advertisements, marketing materials or other content related to such persons may be deemed unlawful under applicable laws and regulations, and relevant government authorities may require us to discontinue or restrict operations or services that would have led, or may lead, to such events. For instance, on November 23, 2021, the China Association of Performing Arts (中國演出行業協會) published the ninth warning list for livestreaming performances covering 88 names of Internet personalities who have been reported and registered for their bad behaviors. The people on the list have either violated the law or their actions have allegedly negatively impacted society and public order. On October 26, 2021, the CAC issued the Notice on Efforts Related to Further Strengthening Regulation of Online Information about Entertainment Celebrities (《關於進一步加強娛樂明星網上信息規範相關工作的通知》), pursuant to which, content involving celebrities that endorses “product, services, brands or for-profit events” must be clearly marked as advertisements when appearing on any online platform, and celebrities who are involved in unethical and illegal behaviors will be strictly prevented from reviving their careers. If the celebrity spokespersons we select for our clients’ products and the marketing materials related to such spokespersons are banned by the government authorities due to the spokespersons’ misconducts, our reputation, business, financial condition and results of operations may be materially and adversely affected.

In addition, we are also subject to risks related to disputes with the celebrity spokespersons, including claims, actions and legal proceedings with respect to contract terms, scope of authorization, improper use of the celebrity name and image, infringement, and misleading advertising activities. Such contract disputes could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, and may result in substantial costs, damage to our reputation and diversion of resources and management attention.

We derived substantially all of our revenue from marketing and operating online game products during the Track Record Period. Any regulatory changes in regulating online games by the PRC government may adversely affect our business.

We derived substantially all of our revenue from marketing and operating online game during the Track Record Period. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our revenue from the online game publishing business amounted to RMB2,871.5 million, RMB5,673.1 million, RMB8,563.4 million, RMB2,794.6 million and RMB2,332.5 million, respectively.

Any regulatory changes to gaming industry, by the PRC government may adversely affect operations of the online games, which further affects our own business, results of operations and prospects.

The regulatory environments applicable to the gaming industry in the PRC are complex, and many laws and regulations are still evolving and new laws and regulations may be adopted

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or amended from time to time. The promulgation of new laws and regulations could require our clients to adopt certain changes to ensure compliance, and reduce demand for our services, which further adversely affects our profitability, including laws and regulations governing the playing time and end-users’ age of online games such as the Notice on Further Strict Administration to Prevent Minors from Indulging in Online Games (《國家新聞出版署關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》) issued by the National Press and Publication Administration, or NPPA, on August 30, 2021, and came into effect on September 1, 2021 (the “**Notice**”). Such notice stipulates that online game operators may only provide online game services to minors on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m., and further requires that all the online games must be connected to the real-name registration and game addiction prevention system of the NPPA, and online game operators may not provide game services to any users who have not registered using their real names. We have implemented several systems to provide online game services to minors only on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m. For details, please see “Business — Legal Proceedings and Compliance — Impacts of the Recent Regulatory Changes on Our Business — Restriction on Play-time of Online Games by Minors and Real-name Registration Requirements.” However, we cannot assure you that we will be able to anticipate or comply with any new or future requirements on providing online game services to minors. Any failure or perceived failure by us to comply with or to accurately anticipate the application or interpretation of any new policies or regulatory requirements thereof could result in proceedings or actions against us by the relevant government authorities and we derived substantially all of our revenue from marketing and operating online game products during the Track Record Period. Any regulatory changes may negatively affect our business, operations and financial performance.

According to the relevant laws and regulations, if we fail to comply with the relevant requirements, the competent authorities can order us to make rectifications, issue a warning, and confiscate the illegal gains, as well as impose monetary fines between RMB100,000 to RMB1,000,000 if the illegal gains are below RMB1,000,000 or if there are no illegal gains, and monetary fines between one and ten times the illegal gains if the illegal gains are over RMB1,000,000. If we refuse to make rectifications or the circumstances are serious, we may be ordered to suspend our relevant business, cease our business for rectification, close our website, or revoke our business license or relevant permits.

Moreover, we cannot assure you that our clients’ anti-addiction system and real name registration system will be regarded as sufficient by PRC government authorities. Should the relevant government authorities find our clients, especially the game developers and publishers, not satisfying the requirements, they may order our clients to rectify, and their relevant licenses or approvals could be revoked, which may adversely affect their business operations, including their needs and willingness to utilize the game product marketing and operation services provided by us.

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Regulation of information disseminated over the internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from, or linked to our Internet websites.

Laws and regulations have been enacted to govern internet access and the distribution of news and other contents, as well as products and services, through the Internet. For example, the MIIT and other competent government authorities have promulgated regulations that prohibit games from being distributed through the internet if the games contain content that is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of China, or compromise state security or secrets. Furthermore, online games will be subject to content review and approval by the NPPA prior to the commencement of games operations in China. Failure in the content review may materially delay or otherwise affect game operator’s plans to launch new games, and the operator may be subject to fines, restriction or suspension of operations of the related game.

We may not be able to control or restrict the content of other internet content providers linked to or accessible through our websites, or content generated or placed on our websites by our users, despite our attempt to monitor such content. Our end-users may also engage in illegal, obscene or incendiary conversations that may result in a negative impact among other end-users. We cannot assure you that all the sensitive information contained in our end-users’ conversations can be identified through our screening mechanism and we may be held liable for inappropriate online communications or content made by our end-users. To the extent that regulatory authorities find any portion of our information or content objectionable, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content on our websites, which may reduce our user traffic and have a material and adverse effect on our financial condition and results of operations. In addition, we may be subject to significant penalties for violations of those regulations arising from information displayed on, retrieved from or linked to our websites, including a suspension or shutdown of our operations.

Our advertisements and marketing campaigns may subject us to regulatory penalties, administrative sanctions, or penalties from our collaborating online media platforms.

We provide precision marketing and in-depth operation to the game products developed by our clients by developing and distributing advertisements and marketing campaigns through our collaborating online media platforms. In the process of a marketing campaign, both the clients and the collaborating online media platforms are concerned about being associated with inappropriate or illegal content that may contradict with or harm their respective brands. Under the applicable laws and regulations regarding the content of advertisements and marketing campaigns, we may be obligated to monitor the advertising and marketing content to ensure that such content is true, accurate and in full compliance with applicable laws and regulations. To fulfill our obligations, our in-house legal counsels regularly track and keep themselves abreast of the latest development in PRC laws and regulations in relation to our business operations, especially advertising and marketing solutions, and we have designated our marketing personnel to conduct internal check and inspection of our marketing plans and content before they are placed to the third-party collaborating media platforms.

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However, we cannot assure you that the forms of advertising and marketing campaign placement and all the content contained in the advertisements and marketing campaigns is true, accurate and legitimate as required by the advertising laws and regulations. We cannot guarantee that our information technology systems will be able to detect and filter all unqualified or inappropriate advertisement creatives and marketing products placed by or through us due to the large volume of end-user activities. Our failure to comply with the existing and future laws, regulations and regulatory requirements may subject us to fines, penalties, rectifications and other regulatory measures, as well as claims from our collaborating online media platforms and end-users, including claims with respect to misleading or inappropriate advertising, infringement of intellectual property rights and unfair competition activities, which in turn, may materially and adversely affect our business, reputation, results of operations and prospects.

We or our Directors or senior management may become a party to legal or administrative proceedings or regulatory inquiries, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operations and prospects.

We may be involved in claims, disputes, governmental investigations, or other legal or regulatory proceedings from time to time in the ordinary course of our business. These may concern issues relating to, among others, customer complaints, breach of contracts, employment or labor disputes and infringement of IP rights.

As we engage in online game publishing business and other marketing business and routinely enter business contracts with collaborating media platforms, as well as game developers and publishers, we have been and may continue to be involved in legal proceedings arising from contract disputes or IP infringement claims, including being named as a co-defendant in lawsuits filed by IP owners against our clients. For details, please see “— Risks Relating to Our Business and Industry — We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.” There is uncertainty regarding the timing or ultimate resolution of the lawsuits or the other legal proceedings in which we or our clients are involved. There is no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment, ruling or decision against us. While it is not possible to determine the outcome of these lawsuits, we believe that the potential impact of either of these lawsuits on our operation is limited. However, any adverse determination in any of these lawsuits could cause us to remove certain elements from the games we operate and to be liable for compensations.

We cannot assure you that we will not be involved in any such legal or regulatory proceedings in the future. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may be time-consuming, resulting in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation, which could further adversely affect our business, financial condition, results of operations and prospects. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against other parties involved may be expensive, time-

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consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business, and may result in substantial costs, damage to our reputation and diversion of resources and management attention.

Further, we may acquire companies that have been subject to or may become subject to litigation, as well as regulatory proceedings. In addition, in connection with litigation or regulatory proceedings we may be subject to in various jurisdictions, we may be prohibited by laws, regulations or government authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions, including those relating to data held in or with respect to persons in these jurisdictions. Our failure or inability to comply with the subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material and adverse effect on our reputation, business, and results of operations.

Failure to deal effectively with fraudulent or illegal activities by our employees would harm our business.

Illegal, fraudulent, corrupt or collusive activities or misconduct, whether actual or perceived, by our employees, could subject us to liabilities or negative publicity. There can be no assurance that our policies and internal controls related to the review and approval of payment accounts, sales and marketing activities, interactions with business partners and government officials and other relevant matters will prevent fraud or illegal activities or misconduct by our employees or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity, misconduct, or perceptions of conflicts of interest and rumors, could severely damage our brand and reputation, even if they are baseless or satisfactorily addressed, which could drive our clients away from us, and materially and adversely affect our business, financial condition and results of operations.

Non-compliance with legal requirements or proprietary rights by any third parties with which we conduct business could disrupt our business and adversely affect our financial condition and results of operations.

Third parties, including our clients, with which we conduct business, such as game developers, online literature publishers, collaborating online media platforms and other business partners, may be subject to regulatory penalties or punishments because of their failure to comply with relevant regulatory or may be infringing upon other parties' proprietary rights, which may, directly or indirectly, disrupt our business. We conduct review of legal formalities and certifications before entering into contractual relationships with third parties, and take measures to reduce the risks that we may be exposed to in case of any non-compliance by third parties. However, we cannot be certain whether such third party has violated any regulatory requirements or infringed or will not violate or infringe any other parties' proprietary rights. For example, the authorization or licensing that we obtain from our clients may be defective, or collaborating online media platforms may conduct marketing activities using content that they

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have no right to distribute, and we may not be able to identify all instances of copyright infringement, and we may be held liable and pay damages for such infringement. For details, please see “— Risks Relating to Our Business and Industry — We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.” As a result, our business, financial condition and results of operations could be materially and adversely affected. Similarly, marketing campaigns distributed by certain collaborating media platforms may also not be in full compliance with applicable laws and regulations that may have an adverse effect as to our business, financial condition and results of operations.

We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliance in the business practices of third parties we conduct business with, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Any legal liabilities and regulatory actions affecting third parties involved in our business may materially and adversely affect our business, results of operations and financial condition, as well as tarnish our reputation.

Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, the lessors of some of our leased properties in China with an aggregate gross floor area of approximately 31,949 square meters had not provided us with valid title certificates or relevant authorization documents evidencing the right to lease the property to us. As a result, the lease may not be valid, and we may not be able to continue to use such property if the lessor’s right to lease such property is challenged by any third party. Furthermore, we cannot assure you that we are able to renew our lease on commercially acceptable terms upon expiry, or at all. If the title of any of our leased properties is controversial or the validity of the relevant lease is challenged by any third party, or if we fail to renew our lease upon expiry, we may be compelled to relocate from the affected premises. Such relocation may result in additional expenses or business interruption, which could, in turn, have an adverse effect on our business, financial condition and results of operations.

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices. As of the Latest Practicable Date, we had not completed lease registration for 21 leased properties in China. Although failure to register does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease. The maximum penalty that we may be liable in relation to the failure of registering lease agreements during the Track Record Period was approximately RMB210,000. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. For more details of our lease registration, see “Business — Properties” in this document.

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Failure to comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners such as suppliers, could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks in relation to actions taken by us, our employees, affiliates or business partners that constitute violations of the anti-corruption laws and regulations. There have been several instances of corrupt practices in our industry, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by third party online medial platforms from game product developers in connection with the distribution of the marketing campaigns. While we adopt strict internal procedures to ensure compliance of our online game publishing business and other marketing business with relevant laws and regulations, our efforts may not be sufficient to ensure that we comply with relevant laws and regulations at all times. If we, our employees, affiliates, suppliers, or other business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates or suppliers, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain of our subsidiaries have not made adequate contributions to the social insurance and housing provident fund, which could subject us to penalties.

In accordance with the relevant laws and regulations on social security, employers in the PRC are required to make contributions to various social insurance (including medical, pension, unemployment, work-related injury and maternity insurance) and housing provident fund for their employees. During the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for our employees. In 2020, 2021, 2022 and the four months ended April 30, 2023, the total outstanding amount of our social insurance and housing provident fund contributions was a reversal of RMB4.1 million, RMB20.8 million, RMB32.2 million and RMB3.2 million, respectively. We recorded a reversal of RMB4.1 million for outstanding amount of our social insurance and housing provident fund contributions in 2020 due to the deduction or exemption of payment of social insurance and housing provident fund contributions in 2020 as a result of relevant government relief policies in response to the COVID-19 pandemic. Our PRC Legal Adviser have advised us that, pursuant to relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions are due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay housing provident fund in full, the relevant housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. If these enforcement actions were taken by relevant authorities, our financial position and results of operation could be materially and adversely affected. As of the Latest Practicable Date, we had not received any notice from the

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local authorities or any claim or request from the relevant employees. In 2020, 2021, 2022 and the four months ended April 30, 2023, we made provisions of a reversal of RMB4.1 million, RMB20.8 million, RMB32.2 million and RMB3.2 million for the social insurance and housing provident fund contribution shortfall, respectively. During the Track Record Period, we made sufficient provisions for the social insurance and housing provident fund contributions. However, we cannot assure you that in the future the relevant government authorities will not require us to rectify such non-compliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance contributions and housing provident fund under the relevant laws and regulations implemented at the national, provincial or local level, which may materially and adversely affect our business, financial condition and results of operations.

In addition, during the Track Record Period, we engaged third-party service providers to pay social insurance and housing provident funds for a small portion of our employees. If such arrangement is challenged by government authorities, we may be deemed to fail to discharge our obligations in relation to the payment of social insurance and housing provident funds through our own accounts as an employer. However, given that there is no PRC law and regulations explicitly stipulate whether such arrangement would be penalized or fined or not, we may face the risk of being penalized or fined in this regard. If we are deemed to fail to discharge our obligations in relation to the payment of social insurance and housing provident funds through our own accounts as an employer, and fail to comply with the requirement within a specified timeframe, we may be liable for a maximum potential fine not exceeding three times of overdue amount of the social insurance contribution.

Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.

The PRC anti-monopoly enforcement agencies have, in recent years, strengthened enforcement under the PRC Anti-monopoly Law (《中華人民共和國反壟斷法》). In March 2018, the State Administration for Market Regulation (“SAMR”) was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce of the PRC (“MOFCOM”), the National Development and Reform Commission of the PRC (“NDRC”) and the State Administration for Industry and Commerce of the PRC (“SAIC”, the predecessor of the SAMR), respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. On December 28, 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization (《關於反壟斷授權執法的通知》), which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the Anti-monopoly Commission of the State Council issued Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which encourages, under the PRC Anti-monopoly Law, qualified operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. On February 7 2021, the Anti-monopoly Commission of the State Council issued the Anti-monopoly Guide of the Anti-monopoly Commission of the State Council for the Platform Economy Sector (《關於平台經濟領域的反

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壟斷指南》) (the “**Anti-monopoly Guide**”), which regulates the abuse of a dominant position and other anti-competitive practices of online platforms.

Pursuant to Section 19 of the PRC Anti-monopoly Law, a market participant that has more than 50% of the market share in a relevant market is presumed to have a dominant position in that market. We believe that the impact of the Anti-Monopoly Guide on our business is insignificant. We do not own a dominant position in the markets we operate. According to Frost & Sullivan, our market share in the mobile game market is well below the 50% threshold under Section 19 of the PRC Anti-monopoly Law. In addition, the markets that we operate in are emerging and rapidly developing with a large number of participants focusing on different aspects of the markets and constantly attracting new participants, which mitigates the risk of violating the Anti-monopoly Guide for the industry participants. However, we may in the future receive greater scrutiny and attention from regulators and more frequent and stringent investigation or review by regulators, which will increase our compliance costs, and it could be time-consuming to comply with the relevant regulations described above.

The PRC Anti-monopoly Law also provides a private right of action for competitors, business partners or clients to bring anti-monopoly claims against companies. As the PRC Anti-monopoly Law is relatively new, misinterpretation by market participants has led to and may continue to lead to public allegations or media campaigns against us or complaints to regulators or private litigation that targets our prior and current business practices. Any anti-monopoly lawsuit, regulatory investigations or administrative proceedings initiated against us could also result in us being subject to adverse court decisions and regulatory actions, such as confiscation of illegal revenue and heavy fines. Any such adverse court decisions or regulatory actions may force us to change our business model or practices, which could materially and adversely affect our business, operations, reputation and brand.

We collaborate with third-party online payment channels for payment collection. Any interruption of their services or unintended leakage of confidential information may materially and adversely affect our reputation and business.

We collaborate with major third-party payment channels to facilitate and collect end-users’ payment for in-game virtual items. We are subject to various risks and uncertainties associated with these third-party online payment channels. Any interruption in their payment services could adversely affect our payment collection, and in turn, our revenue.

In all online payment transactions through third-party payment channels, secured transmission of end-users’ confidential information, including credit card and bank account numbers, personal information and billing addresses, over public networks, is essential for maintaining user confidence. We do not have control over the security measures of the third-party payment channels, and their security measures may not be adequate at present or may not be adequate with the expected increased usage of online payment systems. We could be exposed to litigation and potential liabilities if we fail to safeguard end-user’ confidential information, which could harm our reputation and our ability to attract or retain end-users and may have a material and adverse effect on our business.

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Furthermore, our payment channels are subject to various laws and regulations regulating electronic funds transfers and virtual currencies, which could change or be reinterpreted in a way that will adversely affect their compliance. If our payment channels experience any non-compliance incidents, they may be subject to fines and higher transaction fees and even lose their ability to accept online payments from our end-users, which in turn would materially and adversely affect our ability to monetize the end-user base.

We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our key executives and other key employees, in particular, we rely on the expertise and experience of core members of our senior management team, particularly Mr. WU Xubo, our co-founder, chairman and chief executive officer, who have formulated our strategies and are instrumental to our success. If we lose the services of any member of management or key personnel for any reason, we may not be able to locate, or may incur great costs to recruit and train suitable or qualified replacements in a timely manner, or at all, which could result in disruption of our business and inefficiency in execution of development strategies.

In addition, we have a number of employees, including many members of management, whose economic interests in our Company could give them a substantial amount of personal wealth following our [REDACTED]. This wealth could affect their decisions about whether or not they continue to remain with us. As a result, we cannot assure you that we will be able to continue to retain and motivate these employees and our business may be severely disrupted and our prospects could suffer.

Furthermore, given that we currently have sizable business scope in providing precision marketing and in-depth operation to the mobile game products and we are also expanding our business and operations to other industries, we are required to attract, hire and retain a wide range of capable and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. However, our various incentive initiatives may not be sufficient to retain our management and employees. Competition for talents in our industry in China and elsewhere is intense, which could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals will choose to join or continue to work for us. If we fail to attract or retain key management and personnel with suitable expertise, or to maintain an adequate labor force on a continuous and sustained basis, our financial position and results of operations could be materially and adversely affected.

We may not have sufficient insurance coverage to cover our business risks.

We maintain limited insurance policies required under PRC laws and regulations, as well as based on our assessment of our operational needs and risks and in line with the standard commercial practice in our industry. See “Business — Insurance” for more details on our

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insurance policies. However, we may not be able to acquire insurance for all types of risks we face in our operations in the PRC, and our coverage may not be adequate to compensate for all losses or claims that may occur anytime. To the best of our Directors’ knowledge, no insurance products that have been specifically designed for protecting the risks related to the Contractual Arrangements have been made available on the market. In line with general industry practice in China, we do not maintain business interruption insurance, key man life insurance, any insurance for our information technology infrastructure and systems or any insurance for our leased properties. Any business disruption, litigation, regulatory action, outbreak of epidemic disease, adverse weather conditions or natural disasters could expose us to substantial costs and diversion of resources, and we have no insurance to cover such losses or we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For further information, see “Business — Risk Management and Internal Control.” However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on their effective implementation by our employees. Due to the significant size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer a broader and more diverse range of services, solutions and products in the future, the diversification of our service and product offerings will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available on acceptable terms, or at all, which could compromise our ability to meet our financial obligations and grow our business.

Although we believe that our anticipated cash flows from operating activities, together with cash on hand and [REDACTED] from the [REDACTED], will be sufficient to meet our

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anticipated working capital requirements and capital expenditures in the ordinary course of business for the next twelve months, we cannot assure you this will be the case. We may require additional cash resources due to future growth and development of our online game publishing business and other marketing business and consumer product business, including any investments or acquisitions we may decide to pursue. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including the general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary approvals from regulatory authorities, investors’ confidence in us, the prospects of the gaming industry, and our operating and financial performance. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financial covenants that would restrict our operations. Our ability to access international capital and lending markets may be restricted at a time when we would like, or need, to do so, especially during times of increased volatility and reduced liquidity in global financial markets and stock markets, including due to policy changes and regulatory restrictions, which could limit our ability to raise funds.

There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material and adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

A severe or prolonged downturn in the global or regional economy could materially and adversely affect our business and financial condition.

COVID-19 has had a severe and negative impact on the global and regional economy since 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world’s leading economies even before 2020. The war in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. The relationship among countries and regions with respect to trade policies, treaties, government regulations and tariffs, among other matters, may affect the global macroeconomic environment, and potentially leave an impact on the market we operate in. Any severe or prolonged slowdown in the global or regional economy may materially and adversely affect our business, results of operations and financial condition.

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We rely in significant part upon effective interoperability with mobile operating systems, networks and mobile devices whose standards we do not control.

We market and operate game products, available across a variety of mobile operating systems and devices. We are dependent on the interoperability of the games we operate with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. Any changes in these mobile operating systems or devices that reduce the functionality of the games we market and operate or give preferential treatment to competing games may negatively affect the gameplay experience of our end-users or divert our end-users to our competitors. In addition, it is important that the games we market and operate work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. If it becomes difficult for our end-users to access and play the games we market and operate, our end-user growth and end-user engagement could be harmed. Furthermore, if the number of platforms for which we develop or adjust the games we market and operate increases, which is typically seen in the dynamic and fragmented mobile internet market in China, it will result in an increase in our costs and expenses. Any of the above factors could adversely affect our business and results of operations.

Any significant disruption to the third-party cloud platforms and services that we rely on would materially and adversely affect our business, reputation, financial condition and results of operations.

We rely on certain third-party cloud platforms and services to conduct our business and any interruptions or delays in such platforms and services may impair our normal operations. Any network failure, delay, hacking, malfunction and abnormal operation of such cloud platform would result in user complaints, data corruption, leakage, errors and other incidents that could materially and adversely affect our operations. As we continue to rely on third-party cloud platforms and services in the ordinary course of our business, there is no assurance that we will not face such disruptions in future. In addition, we cannot assure you that our cloud service providers will have adequate measures to protect themselves from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. If any natural disasters, health epidemics or other public safety concerns were to affect our cloud service providers in particular, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

We may be subject to risks in relation to the use of open source software or coding.

We may use open source software or coding in connection with our business. We use a limited amount of software or coding licensed by its authors or other third parties under so-called “open source” licenses. The material open source software or coding we currently use primarily include MySQL from Android studio, Git, PHP and Nginx. Companies that incorporate open source software or coding into their solutions and services have, from time to time, faced claims challenging the ownership of open source software or coding and compliance with license terms of open source or coding. As a result, we could be subject to suits by parties claiming

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ownership of what we believe to be open source software or coding or noncompliance with open source licensing terms. As the open source software or coding we used are free to the public, and we have not incorporated any open source software or coding into our intellectual properties, solutions or services, our PRC Legal Adviser is of the opinion that the use of open software or coding is not prohibited. Moreover, the Company shall comply with the related requirements or instruction under the open source license and user manual, among others, of such open source software or coding website. As confirmed by the Company, the Company has observed all such requirements and instructions, and there is no dispute arising from the use of open source software or coding. However, due to a lack of court interpretation, there is a potential risk that such licenses may be construed in a manner that imposes unanticipated conditions or restrictions on our ability to continue using such software or code.

Open source software generally does not provide indemnity or warranties. Some open source software or coding licenses may require users who distribute open source software or coding as part of their software or coding to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Under such circumstances, our ability to protect our intellectual property rights in relation to the use of such software may be impaired. We are also unable to prevent our competitors or others from using our contributed source code of our software. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, financial condition and results of operations.

Our business operations depend in part on the performance and reliability of the Internet infrastructure and telecommunications networks.

Our business depends in part on the performance, reliability and security of the telecommunications and Internet infrastructure in the regions where we operate our business. Substantially all of our servers, computer hardware and technology infrastructure equipment are currently located in China.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites and mobile applications. We have no control over the costs of the services provided by the telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, the end-user base of our clients' products may decrease, which in turn may significantly decrease our revenues.

Moreover, our services depend on the efficient and uninterrupted operation of our computer and communications systems, because the full-time availability of our services is necessary to our ability to attract our clients. We may also experience in the future system interruptions and delays that render websites, mobile applications and service temporarily unavailable or slow to respond. The contingency measures and disaster recovery plans we take may not be sufficient to address the relevant risks, and our business interruption insurance may not provide adequate coverage to mitigate all our potential losses and damages. Despite any precautions we may take,

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the occurrence of a natural disaster or other unanticipated problems at our facilities and our platform participants, including power outages, system failures, telecommunications delays or failures, construction accidents, break-ins to information technology systems, computer viruses or human errors, could result in delays in or temporary outages of the products we market and operate, loss of our users’ data and business interruption for us and our clients. Any of these events could damage our reputation, significantly disrupt our operations and the operations of our business partners on and subject us to liability, heightened regulatory scrutiny and increased costs, which could materially and adversely affect our business, financial condition and results of operations.

In particular, if the security of domain names is compromised, we will be unable to use the domain names in our business operations, which could materially and adversely affect our business operations, reputation and brand image. If we fail to implement adequate encryption of data transmitted through the networks of the telecommunications and Internet operators we rely upon, there is a risk that telecommunications and Internet operators or their business partners may misappropriate our data, which could materially and adversely affect our business operations and reputation.

If our preferential tax treatments become unavailable or if the calculation of our tax liability is challenged by the PRC tax authorities, our results of operations may be adversely affected.

During the Track Record Period, we benefited from various preferential tax treatments in China. Our results of operations depend in part on our ability to continue to enjoy the preferential tax treatments. The EIT Law and its implementation regulations impose enterprise income tax at the statutory rate of 25% on Chinese enterprises. Jiangxi Tanwan was accredited as a high and new technology enterprise (“HNTTE”) in 2018 and 2021, respectively, and which entitled Jiangxi Tanwan to apply for a reduced tax rate of 15% from the local tax authority for a duration of three years, subject to its fulfillment of the relevant eligibility criteria each year. Jiangxi Tanwan did not qualify for the HNTTE preferential tax rate in 2022 because it did not meet all requisite eligibility criteria, as a result of which it applied the statutory rate of 25%. In addition, ZX WFOE was accredited as a “software enterprise” in 2021, which is exempt from Corporate Income Tax (“CIT”) for 2021 and 2022, followed by a 50% reduction in the applicable tax rates from 2023 to 2025. Our effective income tax rate, which is calculated by dividing income tax expenses by profit before taxation for the same year/period, was approximately a negative of 6.3%, a positive of 9.4%, a positive of 18.3%, a positive of 10.4% and a positive of 32.1%, in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. For further information, see “Financial Information — Description of Major Components of our Results of Operations — Income Tax Expense.” However, there is no assurance that we will continue to enjoy preferential EIT rates or be entitled to preferential tax treatment in the future. The discontinuation of any preferential tax treatments currently available to us would cause our effective tax rate to increase, which could have an adverse effect on our results of operations.

In addition, the PRC government makes amendments to its policies on VAT, EIT and other taxes from time to time, which would result in changes in grant of preferential tax treatments.

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Unless we are able to renew our existing accreditations upon their expiration or are granted additional preferential tax treatments in the future, we expect our effective tax rates to gradually increase in the foreseeable future, which could have a material and adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

We incurred a net loss in the past and we may not be able to achieve or maintain profitability in the future.

We incurred a net loss of RMB1,301.1 million for the year ended December 31, 2020, primarily due to a one-off share-based compensation issued in 2020. Although we recorded a net profit of RMB616.4 million, RMB491.5 million, RMB124.6 million and RMB242.1 million for the years ended December 31, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively, we cannot assure you that we will be able to continue to generate profits in the future. Our costs and expenses will likely increase in the future as we expect to expand our operations and our sales and marketing, enhance our technology capabilities, develop and launch new solutions and services, and expand client base in existing market and penetrate into new markets. Any of these efforts may incur significant capital investment and operating expenses, and take time to achieve profitability. In addition, these efforts may be more costly than we expect and may not result in increased revenue or growth in our business as expected.

In addition, our ability to achieve profitability also depends on our ability to improve our market position and profile, enhance and expand our solution and service offerings, maintain competitive pricing, improve our operational efficiency and obtain required financing at reasonable terms, which may be affected by numerous factors beyond our control. If we are unable to generate adequate revenue growth and manage our costs and expenses, we may not be able to achieve profitability or positive operating cash flow on a consistent basis, which may impact our business growth and adversely affect our financial condition and results of operations.

Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our trade receivables.

As of December 31, 2020, 2021 and 2022 and April 30, 2023, our trade receivables were RMB230.6 million, RMB273.9 million, RMB430.2 million and RMB308.3 million, respectively. We recognized net impairment losses on trade receivables of RMB0.6 million in 2022, and a reversal of impairment losses on trade receivables of RMB5.4 million, RMB5.7 million and RMB0.1 million in 2020, 2021 and the four months ended April 30, 2023, respectively, due to the changes in allowance for impairment we recorded based on the expected credit loss over our trade receivables. See “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Trade Receivables” for more details on our trade receivables. Our trade receivables primarily consist of outstanding amounts payable by collaborating distribution channels under our joint-run model in the ordinary course of our business. Our trading terms with our collaborating distribution channels we

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collaborated with are mainly on credit. The credit period is generally 30 days to 90 days. We cannot guarantee that our collaborating distribution channels will settle our trade receivables within the credit period. As our business continues to scale, our trade receivables balance may continue to grow, which may increase our risks for uncollectible receivables. We generally do not require collateral or other security from our collaborating distribution channels. Actual losses on trade receivables balance could differ from those that we anticipate and provide as impairment, as a result we might need to adjust our provision of impairment.

Moreover, credit risk for trade receivables arises when our collaborating distribution channels default on their contractual obligations resulting in financial losses to us. To minimize the credit risk, our management has delegated a team responsible for determination of credit limits and credit approvals. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each of our collaborating distribution channels before entering into agreements or extending credit terms, neither can we guarantee that each of these collaborating distribution channels will be able to strictly follow and enforce the payment schedules provided in the agreements. Any inability of our collaborating distribution channels to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn has a material and adverse effect on our business operations and financial condition.

We incurred net current liabilities in the past, which may continue to experience in the future.

We recorded net current liabilities of RMB773.7 million, RMB1,397.9 million, RMB2,272.5 million and RMB1,723.8 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. For details, see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities.” Our net current liability position was primarily a significant portion of our pledged deposits used to secure our bills payables and interest-bearing bank borrowings were interest-bearing time deposits with a term exceeding one year and therefore recorded as non-current assets. For details on our net current liability position, including our cash management policy with respect to pledged deposits, see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities.”

A net current liability position can expose us to the risk of shortfalls in liquidity. This in turn may require us to undertake additional equity financing, which could result in dilution of your equity interests, or to seek debt financing, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material and adverse effect on our prospects. Going forward, we cannot guarantee that we will not continue to have a net current liabilities position, which would expose us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

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We recorded net operating cash outflow in 2020. If we record net operating cash outflow in the future, our liquidity, financial condition and prospects may be adversely affected.

For the year ended December 31, 2020, we had net cash outflow from operating activities of RMB301.5 million. See “Financial Information — Liquidity and Capital Resources” for details. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion depend to a large extent on our ability to maintain sufficient cash generated from operating activities, in addition to our ability to obtain external financing. If we do not generate sufficient positive operating cash flow, our working capital may be constrained, which may adversely affect our financial condition, and our business, financial condition and results of operations. See also “— Risks Relating to Our Financial Performance — We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available on acceptable terms, or at all, which could compromise our ability to meet our financial obligations and grow our business.”

Our financial assets at fair value through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of these assets and liabilities would affect our financial results.

We recorded financial assets at FVTPL of RMB550.4 million, RMB1,090.0 million, RMB1,271.3 million and RMB1,277.9 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. These financial assets at FVTPL included wealth management products, listed equity investments and fund investments. Our investments in listed equity amounted to RMB597.6 million as of April 30, 2023, mainly including our investments in various companies listed on the Hong Kong Stock Exchange. See “Financial Information — Description of Major Components of Our Results of Operation — Other income and gains.” The fair value changes in our financial assets at FVTPL or loss may negatively affect our financial performance. We recorded gain on disposal of financial assets at FVTPL of RMB59.2 million, RMB29.8 million and RMB327.0 million in 2020, 2022 and the four months ended April 30, 2023, respectively, and loss on disposal of financial assets at FVTPL of RMB2.6 million in 2021 and RMB8.9 million for the four months ended April 30, 2022. In addition, we recorded fair value gain on financial assets at FVTPL of RMB6.3 million, RMB1.0 million, RMB12.5 million and RMB27.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022, respectively, and fair value loss on financial assets at FVTPL of RMB99.2 million for the four months ended April 30, 2023. See page I-52 of Appendix I to this document for more details. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Any change in the estimates and assumptions may lead to a change in the fair value of the financial assets, which in turn could material and adversely affect, our period-to-period earnings, financial condition and results of operations.

Impairment of our intangible assets and goodwill could negatively affect our financial condition and results of operations.

We recorded intangible assets of RMB6.9 million, RMB33.8 million, RMB43.7 million and RMB38.4 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Our

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intangible assets consist mainly of (i) copyrights, (ii) computer software, (iii) domain names and (iv) game operation agreements. We expect our intangible assets to increase in the future. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Although we did not record impairment losses on intangible assets during the Track Record Period, we cannot guarantee that we will not record greater impairment losses of intangible assets in the future. Material impairment of intangible assets could negatively affect our financial condition and results of operations.

We did not record goodwill in 2020 and recorded a goodwill of RMB42.5 million as of December 31, 2021 and 2022 and April 30, 2023, which arose from the acquisition of Guangzhou Chichi and Hainan Zhangwan. We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Although we did not record impairment losses on goodwill during the Track Record Period, it cannot guarantee that it will not record greater impairment losses of goodwill in the future. Material impairment of goodwill could negatively affect our financial condition and results of operations.

We have granted, and may continue to grant share options or other types of share awards under our share award scheme, which may result in increased share-based payments. Share-based payments may cause shareholding dilution to our existing Shareholders and have an adverse effect on our financial performance.

We operate a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. In 2020, 2022 and the four months ended April 30, 2023, we recorded RMB1,816.1 million, RMB42.9 million and RMB70.6 million in equity-settled share-based payment expenses, respectively. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based awards to employees in the future. Issuance of additional share award with respect to such share-based payments may dilute the shareholding percentage of our existing shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have an adverse effect on our financial performance.

We may be subject to impairment losses on prepayments, other receivables and other assets.

Our prepayments, other receivables and other assets primarily consist of (i) deposits and other receivables, mainly including lease deposits and receivables, (ii) prepayments, mainly including prepayments for marketing and promotion services and prepayments to game developers, (iii) time deposits, and (iv) others, such as deductible input VAT and loans to third

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parties and employees. We recorded total prepayments, other receivables and other assets of RMB632.9 million, RMB493.3 million, RMB786.5 million and RMB831.4 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. See page I-79 of Appendix I to this document for more details.

We are subject to credit risks in relation to prepayments, other receivables and other assets as there is no guarantee that the relevant counterparties, such as collaborating media platforms and game developers, will perform their obligations or do so in a timely manner. We conduct a periodic impairment analysis on the recoverability of prepayments, other receivables and other assets. When determining the expected credit losses, we take into account, our historical settlement records, our relationship with relevant counterparties, payment terms, and forward-looking macroeconomic data, among other factors, which involve the use of various judgments, assumptions and estimates by our management. Our allowance for impairment of prepayments, other receivables and other assets was RMB12.4 million, RMB17.2 million, RMB18.8 million and RMB20.7 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The amount of impairment losses for prepayments, other receivables and other assets recognized as profit or loss was nil, RMB4.8 million, RMB1.6 million and RMB1.9 million for the respective periods, respectively. See page I-79 of Appendix I to this document for more details.

As our management’s estimates and related assumptions are made in accordance with information available to us at the time the allowance is determined, there is no assurance that our expectations or estimates will remain accurate for the future. In the event that we may need to make additional allowance for impairment of prepayments, other receivables and other assets in the future, our business, financial condition and results of operations may be adversely affected.

Any discontinuation, reduction or delay of any VAT deduction and refunds would have an adverse impact on our results of operations.

We recognized other income from VAT additional deduction and refunds during the Track Record Period, which were non-recurring in nature and subject to the evolving tax policies in China. Our other income from VAT additional deduction and refunds amounted to RMB23.0 million, RMB22.7 million, RMB52.3 million, RMB18.6 million and RMB9.5 million for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. There can be no assurance that we will remain eligible for such VAT deduction and refunds. If we are unable to receive, or experience a significant decrease in, VAT deduction and refunds in the future, our results of operations may be adversely affected.

Our results of operations may be affected by the share of profits and losses of joint ventures and associates and we may be subject to related liquidity risk if no dividend is declared to us.

During the Track Record Period, we made investments in a number of entities, mainly including Zhejiang Xuwan, Guangzhou Zeda, Fuzhou Zizai and Hangzhou Shengxu. We recorded a loss of RMB2.4 million in 2020, a gain of RMB4.2 million in 2021, a gain of RMB7.4 million in 2022, a gain of RMB0.9 million for the four months ended April 30, 2022

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and a loss of RMB0.5 million for the four months ended April 30, 2023, as our share of profits and losses of joint ventures. We also recorded a loss of RMB4.2 million in 2020, a loss of RMB15.9 million in 2021, a loss of RMB33.9 million in 2022, a loss of RMB6.8 million for the four months ended April 30, 2022 and a loss of RMB11.5 million for the four months ended April 30, 2023, as our share of profits and losses of associates. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had investment in joint ventures of RMB268.0 million, RMB259.8 million, RMB267.2 million and RMB266.7 million, respectively. As of the same dates, we also had investment in associates of RMB5.8 million, RMB4.9 million, RMB6.0 million and RMB4.3 million, respectively. Our results of operations could be affected by the fluctuation in the share of profits and losses of our joint ventures and associates. In addition, our investment in joint ventures and associate are subject to liquidity risk. Our investments in joint ventures and associate are not as liquid as other investment products as there is no return in our investment until dividends are received even if our joint ventures and associate reported profits under the equity accounting.

Furthermore, our ability to promptly sell one or more of our interests in the joint ventures and associate in response to the changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our interests in the joint ventures or associate for the price or on the terms set by us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquid nature of our investment in joint ventures and associate may significantly limit our ability to respond to adverse changes in the performance of our joint ventures and associate. In addition, if there is no or negative share of profit or no dividends from our joint ventures or associate, our financial condition or result of operations could be materially affected. Moreover, as we expect to continue to invest in our existing and future joint ventures and associates for the expansion of our business, our liquidity may be further restricted if we are not able to receive dividends from our existing or future joint ventures and associates, which could materially and adversely affect our ability to conduct or expand our business.

Our deferred tax assets may not be fully recoverable, which may adversely affect our financial condition in the future.

We are required to make judgments, estimates and assumptions about the carrying amounts of our deferred tax assets. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had deferred tax assets of RMB5.9 million, RMB40.9 million, RMB47.9 million and RMB48.4 million, respectively, which were primarily attributable to lease liabilities, contract liabilities and tax losses. See note 27 in Appendix I to this document for details of the movements of our deferred tax assets during the Track Record Period. Deferred tax assets are recognized only if it is probable that future taxable profits will be available to utilize those temporary differences and tax losses. The realization of deferred tax assets depends primarily on our estimate of whether sufficient future taxable profits will be available. This requires judgment on the tax treatments of certain transactions and assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. These judgment and assessment are mainly based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. If sufficient future taxable profits are not expected to be generated or if taxable profits are lower than expected, we may fail to recover our deferred tax assets, which may materially and adversely affect our financial condition.

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Failure to fulfill our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities are recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had contract liabilities of nil, nil, RMB117.7 million and RMB162.1 million, respectively. Our contract liabilities as of April 30, 2023 was associated with the advance payments we received from the players of our self-owned game product.

Contract liabilities are not recognized as revenue until we fulfill our obligations under the respective contract (i.e., transfers control of the related goods or services to the customer). Our ability to fulfill our contractual obligations is subject to various factors, including our operation capabilities and normal operations of our business. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payments made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

RISKS RELATING TO GOVERNMENT REGULATIONS

Laws and regulations governing the internet industry and related businesses in China are evolving.

The internet industry is subject to certain regulations in China, including with respect to the foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving. With regard to the mobile game industry in China, various regulatory authorities of the PRC central government, such as the State Council, the MIIT, the SAIC, the NPPA and the Ministry of Public Security of the PRC (“MPS”), are authorized to promulgate and implement regulations governing various aspects of the mobile game industry.

New laws, regulations or policies may be promulgated or announced that will regulate internet activities, including provision of precision marketing and in-depth operation in the digital era. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties and our business operations could be disrupted.

If we fail to maintain or obtain the required permits or licenses, we may be subject to various penalties, including fines and discontinuation of, or restriction on, our operations. Any penalty may disrupt our business operations and may have a material and adverse effect on our results of operations. We cannot assure you that we will be able to maintain our existing licenses or obtain any new licenses required under any existing or new laws or regulations. There are also risks that we may be found to be in violation of future laws and regulations. If future laws,

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rules or regulations regarding internet-related activities are interpreted in such a way as to render our ownership structure and/or business operations illegal or non-compliant, our business could be severely impaired and we could be subject to severe penalties.

Amendments in the political and economic policies, as well as the evolving laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic, political, and legal developments in the PRC. The overall economic growth may be influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects.

Laws, rules and regulations in relation to economic matters may be amended at times, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law.

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

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, established additional procedures and requirements for foreign investors with respect to merger and acquisition activities. Moreover, the PRC Anti-monopoly Law requires that the anti-trust government authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. Furthermore, the Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM, effective in September 2011, specifies that a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns. The foregoing regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the online game publishing business and other marketing business requires security review. On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the

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Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) has been established under the NDRC, who leads the task together with the MOFCOM. Foreign investors or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and Internet products and services and other important fields relating to national security, and obtain control in the target enterprise.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts or other relevant government agencies may delay or inhibit our ability to complete such transactions.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders, and have a material and adverse effect on our results of operations and the value of your investment.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a de facto management body” within the PRC is considered a PRC resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25% and a withholding tax rate of 10% to dividends paid by it to a foreign enterprise, unless the jurisdiction of the foreign investor’s tax residence has a tax treaty with the PRC that provides for preferential tax treatment. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, production, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued the Circular on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“**Circular 82**”), which was last amended on December 29, 2017 and provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in the PRC. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

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We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. We believe none of our entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities. If the PRC tax authorities determine that we or any of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, then we or this subsidiary could be subject to PRC tax at a rate of 25% on our or its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Additionally, pursuant to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement and relevant PRC tax laws on the interpretation of the Arrangement, a preferential withholding tax rate of 5% may apply if the PRC enterprise is at least 25% held by the Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and certain other conditions, such as the beneficial ownership requirement, are met. Furthermore, under the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》), which became effective in January 2020, the applicant for the preferential withholding rate is required to maintain a record with its in-charge tax authority and submit, gather and retain all the requisite application materials. No government approval for the application is required, although the relevant tax authorities may subsequently challenge the applicability of the preferential withholding rate. There can be no assurance that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority or that we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate under the Double Taxation Arrangement with respect to dividends to be paid by our PRC subsidiaries to Hong Kong shareholders.

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

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to our PRC subsidiaries are subject to the requirement of making

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necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and making registrations with other governmental authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the State Administration of Foreign Exchange, or the SAFE, or its local branches; and (ii) each of our PRC subsidiaries may not procure loans which exceed statutory limits, namely, the difference between its total amount of investment and its registered capital, or certain amount calculated based on elements including capital or net assets and the cross-border financing leverage ratio or the macro-prudential management mode, under relevant PRC laws. Any medium or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all. If we fail to complete such recording or registrations, our ability to use the [REDACTED] of this [REDACTED] and to capitalize our PRC subsidiaries may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》), or SAFE Circular No. 19, which took effect as of June 1, 2015 and was amended in December 2019 and March 23, 2023. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of foreign exchange capital of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular No. 19 and SAFE Circular No. 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi funds converted from their foreign exchange capital for expenditure beyond their business scope, making investment (except for securities investment or non-guaranteed bank products), issuing loans to non-affiliated enterprises, or constructing or purchasing real estate not for self-use. In addition, the SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) on October 23, 2019, or SAFE Circular 28, pursuant to which non-investment foreign invested enterprises can use their capital funds to make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with PRC laws and regulations. On April 10, 2020, the SAFE issued the Circular on Optimizing the Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, pursuant to which eligible enterprises are allowed to make domestic payments by using the income under their capital accounts, such as their capital funds, foreign loans and overseas listing, without prior provision of materials evidencing the authenticity for each expenditure, provided that the capital usage is authentic and in compliance with the current administrative provisions on use of income under the capital account. The relevant bank must conduct spot checks afterwards in accordance with the relevant requirements. Considering that SAFE Circular 28 and SAFE Circular 8 are principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, there remain uncertainties with our future compliance requirement.

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We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our foreign-invested subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the [REDACTED] we expect to receive from this [REDACTED] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**SAT Circular 7**”), which was further revised in October and December 2017 and replaces certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**SAT Circular 698**”). SAT Circular 7 provides comprehensive guidelines relating to, and has also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-PRC resident enterprise of taxable assets (including equity interests) of a PRC resident enterprise (the “**PRC Taxable Assets**”). For example, SAT Circular 7 states that where a non-resident enterprise transfers PRC Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding EIT payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the PRC tax authorities as a direct transfer of PRC Taxable Assets. On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**SAT Circular 37**”), which came into force and replaced SAT Circular 698 and certain other rules or regulations on December 1, 2017 and further revised on June 15, 2018. SAT Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-PRC resident enterprises.

Although SAT Circular 7 contains certain exemptions, exemptions under SAT Circular 7 may not be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or vice versa, or to any future acquisition by us outside of PRC involving PRC Taxable Assets. Therefore, the PRC tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-PRC resident enterprises, or any future acquisitions by us outside of PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities. And, if we fail to comply with SAT Circular 7 and SAT Circular 37, the PRC tax authorities may take action, including requesting us to provide assistance in

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their investigation, or may impose a penalty on us, which could have a negative impact on our business operations.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

After our Company becomes an overseas listed company upon the completion of the [REDACTED], we, along with our Directors, executive officers and other employees who may be granted options, may be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year participating in any stock incentive plan of an overseas publicly listed company, subject to limited exceptions, are required to register with the SAFE through a domestic qualified agent, and complete certain other procedures. Failure to complete SAFE registrations may subject them to fines and other legal sanctions.

In addition, the SAT and the MOFCOM have issued certain circulars with respect to employee share incentives. Under these circulars, our employees working in China will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. We have the obligation to file documents relating to the employee share options or restricted shares with the relevant tax authorities and to withhold individual income tax for those employees. If our employees fail to pay or we fail to withhold income tax according to the relevant laws and regulations, we may face sanctions imposed by the relevant competent authorities.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

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RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the Contractual Arrangements that establish the structure for operating our business in the PRC do not comply with applicable PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and being forced to relinquish our interests in those operations.

Foreign ownership of certain of our businesses involving internet cultural business and value-added telecommunication services business is subject to prohibition and/or restrictions under current PRC laws and regulations. For example, foreign investors are generally prohibited from holding equity interests in any enterprise engaging in internet cultural business and are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider.

We are a Cayman Islands exempted company and ZX WFOE, our indirect wholly-owned PRC subsidiary, is a foreign-invested enterprise. To ensure compliance with the PRC laws and regulations, we conduct our foreign investment-restricted business in China through our PRC Operating Entities based on the Contractual Arrangements. As a result of the Contractual Arrangements, we are able to exert control over our PRC Operating Entities and consolidate financial results of our PRC Operating Entities in our financial statements under HKFRS. See “History, Reorganization and Corporate Structure” for further details.

Our PRC Legal Adviser is of the opinions that: (i) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto; (ii) no agreements under the Contractual Arrangements violate any provisions of the articles of association of ZX WFOE or Jiangxi Tanwan; and (iii) the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except in relation to the provisions regarding the dispute resolution and liquidation mechanism under these agreements. None of the agreements under the Contractual Arrangements would fall within the contract void circumstances as stipulated in the Civil Code of People’s Republic of China (《中國人民共和國民法典》) (“**Civil Code**”). The PRC government may take a view contrary to the above opinions of our PRC Legal Adviser. If the PRC government finds that we are in violation of any existing or future PRC laws, the relevant government authorities with jurisdiction over the operation of our business would have discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of our PRC Operating Entities related to our internet cultural business and value-added telecommunication services business;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations, or imposing other requirements with which we or our PRC Operating Entities may not be able to comply;

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- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenue generated from our internet cultural business and value-added telecommunication services business;
- shutting down our servers or blocking our platform;
- requiring us to restructure our ownership structure or operations, including terminating the Contractual Arrangements and deregistering the equity pledges of Jiangxi Tanwan, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our PRC Operating Entities;
- restricting or prohibiting our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance the business and operations of our PRC Operating Entities;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in our PRC Operating Entities, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material and adverse effect on our business, financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of our PRC Operating Entities that most significantly impact their economic performance, and/or our failure to receive the economic benefits and residual returns from our PRC Operating Entities, and we are not able to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of our PRC Operating Entities in our consolidated financial statements, thus adversely affect our results of operations.

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

On March 15, 2019, the National People’s Congress of the PRC (“NPC”) promulgated the Foreign Investment Law (《中華人民共和國外商投資法》), which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law

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(《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People’s Court (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) took effect on January 1, 2020. The Foreign Investment Law does not explicitly classify whether variable interest entities, or VIEs, that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our Contractual Arrangements should be dealt with.

Foreign ownership of certain of our businesses is subject to restrictions or prohibitions under current PRC laws and regulations, including internet cultural business and value-added telecommunication services business. In particular, under the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (外商投資准入特別管理措施 (負面清單) (2021年版) (the “**Negative List**”), the online game operation business of our PRC Operating Entities falls within the scope of internet cultural business, which is a foreign investment prohibited business, and value-added telecommunications services business, which is a foreign investment restricted business. The FIL provides that (i) foreign-invested entities operating restricted business are required to obtain market entry clearance and other approvals from relevant PRC government authorities; (ii) foreign investors shall not invest in any prohibited business under the Negative List. If our control over our PRC Operating Entities through Contractual Arrangements are deemed as foreign investment in the future, and any business of our PRC Operating Entities is restricted or prohibited from foreign investment under the Negative List effective at the time, we may be deemed to be in violation of the FIL, the Contractual Arrangements that allow us to have control over our PRC Operating Entities may be deemed as invalid and illegal, and we may be required to unwind the Contractual Arrangements and/or restructure our business operations, any of which may have a material and adverse effect on our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing Contractual Arrangements, we may face uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.

We have to rely on the Contractual Arrangements with Jiangxi Tanwan and the Registered Shareholders to operate the business in areas where foreign ownership is restricted or prohibited.

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Our revenue and cash flow generated from our internet cultural business and value-added telecommunication services business are attributable to the PRC Operating Entities. These Contractual Arrangements, however, may not be as effective as direct ownership in providing us with control over our PRC Operating Entities.

Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of our PRC Operating Entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current Contractual Arrangements, we rely on the performance by Jiangxi Tanwan and the Registered Shareholders of their obligations under the contracts to exercise control over our PRC Operating Entities. Jiangxi Tanwan or the Registered Shareholders may not act in the best interests of our Company or may not perform their obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings. See “— Risks Relating to Our Contractual Arrangements — Any failure by Jiangxi Tanwan or the Registered Shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business.”

We may lose the ability to use and enjoy assets and licenses held by our PRC Operating Entities that are important to our business if it goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

Our PRC Operating Entities hold certain assets that may be critical to our business operations. If the Registered Shareholders breach the Contractual Arrangements and voluntarily liquidate any of the PRC Operating Entities, or if any of the PRC Operating Entities declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent as provided in the Contractual Arrangements, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. In addition, if any of the PRC Operating Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets, thereby hindering our ability to operate our business, which could materially or adversely affect our business, financial condition and results of operations.

The Registered Shareholders may have potential conflicts of interest with us.

The Registered Shareholders may have potential conflicts of interest with us. These Registered Shareholders may breach, or cause Jiangxi Tanwan to breach, or refuse to renew, the existing Contractual Arrangements we have with them and Jiangxi Tanwan, if they believe it would further their own interest or if they otherwise act in bad faith, which would have a material and adverse effect on our ability to effectively control our PRC Operating Entities and receive substantially all the economic benefits from it. For example, Registered Shareholders may be able to cause our agreements with Jiangxi Tanwan to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements

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to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these Registered Shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between us and the Registered Shareholders. If we cannot resolve any conflict of interest or dispute between us and the Registered Shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

If we exercise the option to acquire equity ownership or assets of Jiangxi Tanwan, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, ZX WFOE or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Jiangxi Tanwan from the Registered Shareholders. The equity transfer may be subject to the approvals from or filings with or reporting to the MOFCOM, the MIIT, the Ministry of Culture and Tourism (“MOCT”), the SAMR and/or their local competent branches as well as polices in relation to restrictions on foreign investment. ZX WFOE also has the exclusive right to purchase all or any part of the assets in Jiangxi Tanwan at the minimum purchase price permitted under PRC laws and regulations or by the relevant government authorities. The respective Registered Shareholders shall return the amount of purchase price they have received to ZX WFOE. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The amount to be received by ZX WFOE may also be subject to enterprise income tax. Such tax amounts could be substantial and our financial condition may be adversely affected as a result.

Contractual Arrangements we have entered into with Jiangxi Tanwan and the Registered Shareholders may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your [REDACTED].

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. If the PRC tax authorities deem the transactions under the Contractual Arrangements are not conducted on an arm’s length basis and resulted in deferral or underpayment in taxes, they are entitled to make special tax adjustments which might result in the increase of the PRC Operating Entities tax liabilities. If the tax authorities conduct special tax adjustments, they might impose interest charges for the underpaid taxes. Our financial position could be adversely affected if our PRC Operating Entities tax liabilities increase or if our PRC Operating Entities are required to pay interest charges.

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RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares prior to the [REDACTED], and you may not be able to resell our Shares at or above the price you pay, or at all.

Prior to the [REDACTED], there has been no public market for our Shares. The initial [REDACTED] for our Shares was the result of negotiations among us, the [REDACTED] and the [REDACTED] (on behalf of the [REDACTED]) and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. We have applied for [REDACTED] and permission to [REDACTED] our Shares on the Stock Exchange. There is no assurance that the [REDACTED] will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the [REDACTED] to vary significantly from the [REDACTED]:

- Our financial results;
- unexpected business interruption resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the mobile game industry;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts’ estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, [REDACTED] in our Shares may suffer substantial losses.

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Filing with the CSRC may be required in connection with the [REDACTED] and [REDACTED], and, if required, we cannot predict whether we will be able to complete such filing.

On February 17, 2023, the CSRC released the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “**Overseas Listing Trial Measures**”) and five supporting guidelines, which will come into effect on March 31, 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that companies that satisfy all of the following conditions shall be deemed as “legacy enterprises” (存量企業) and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authority or stock exchange (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to March 31, 2023, (ii) the company is not required to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as a new hearing for the listing application of its shares on the Stock Exchange) after March 31, 2023, and (iii) such overseas securities offering or listing shall be completed on or prior to September 30, 2023. See “Regulatory Overview – Regulations on M&A and Overseas Listings”. Based on the foregoing, if we pass the hearing for the [REDACTED] on or before March 31, 2023 but fail to complete the [REDACTED] on or before September 30, 2023, we will be required to complete the filing procedures with the CSRC in connection with the [REDACTED] and [REDACTED]. However, we cannot assure you that we could meet such requirements or complete such filing in a timely manner. Any failure may restrict our ability to complete the [REDACTED] or any future equity capital raising activities, which would have a material adverse effect on our business and financial positions.

As of the date of this document, we had not received any inquiry, notice, warning, or sanctions regarding the proposed [REDACTED] and [REDACTED] or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the Overseas Listing Trial Measures or with respect to the VIE structure. However, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us or otherwise tighten the regulations on companies with a VIE structure. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions

which

may

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have a material adverse effect on our business and financial condition as well as our ability to complete the [REDACTED].

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the completion of the [REDACTED], our Controlling Shareholders will hold in aggregate approximately [REDACTED]% of our Shares, assuming the [REDACTED] is not exercised. Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the market price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The [REDACTED] of our [REDACTED] is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, [REDACTED] may not be able to sell or [REDACTED] our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. For details of our intended use of [REDACTED], see “Future Plans and Use of [REDACTED]” in this document. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED].

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the [REDACTED], or the perception that these sales could occur, could adversely affect the market

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price of our Shares. Although our Controlling Shareholders is subject to restrictions on its sales of Shares within 12 months from the [REDACTED] as described in “[REDACTED]” in this document, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the [REDACTED], or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in “Appendix IV — Statutory and General Information” or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our executive Directors or senior management. There may also be difficulties in protecting your interest under the laws of the Cayman Islands.

Substantially all of our assets are located in China and all of our executive Directors and senior management reside in China. Therefore, there remains the possibility that investors may not be able to directly effect service of process within Hong Kong or outside of China upon us or our Directors or senior management. On July 14, 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”), which came into effect on August 1, 2008. On January 18, 2019, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement comes into effect, there remains the possibility that a judgment rendered by a Hong Kong court may not be enforced in China if the parties in the dispute do not agree to enter into a choice of court agreement.

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law

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are governed by the Memorandum and Articles, the Companies Act and the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands (as compared to Hong Kong) as well as from English common law. The decisions of the English courts are highly persuasive, but are not binding, on a court in the Cayman Islands (except for the decisions handed down from the Judicial Committee of the Privy Council to the extent that these have been appealed from the Cayman Islands courts). The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

There may be dilution because of [REDACTED] of new Shares or equity securities.

In spite of our current bank balances and cash and the [REDACTED] from the [REDACTED], we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

Because the initial public [REDACTED] per Share is higher than the net tangible book value per Share, purchasers of our Shares in the [REDACTED] will experience immediate dilution.

The [REDACTED] of our [REDACTED] is higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, purchasers of our Shares in the [REDACTED] will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible assets value per share of their shares. If we issue additional Shares in the future, purchasers of our [REDACTED] may experience further dilution.

Whether and when the dividends will be declared and paid cannot be assured.

We declared dividend of RMB100.0 million in 2021 to the shareholders of such time. However, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC Operating Entities. Under applicable laws and the constitutional documents of our PRC Operating Entities, the payment of dividends may be subject to certain limitations. The calculation of certain of our PRC Operating Entities' profit under applicable accounting standards differs in certain respects from the calculation under HKFRSs. As a result,

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our PRC Operating Entities may not be able to pay a dividend in a given year even if they have profit as determined under HKFRSs. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our PRC Operating Entities, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association, Cayman Islands law and PRC laws, including, where required, the approvals from our shareholders and our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board.

Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future. See “Financial Information — Dividend Policy” in this document.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our Shares to decline.

Certain facts, forecasts and statistics contained in this document are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain facts, forecasts and other statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from various government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this document, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same

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basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

[REDACTED] should read the entire document carefully and should not consider any particular statements in this document or in published media reports or other publicly available information without carefully considering the risks and other information contained in this document.

There may have been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED]. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media or otherwise publicly available, nor the fairness or appropriateness of any estimates/forecasts, views or opinions expressed by the press or other media or otherwise publicly available regarding our Shares or the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decision whether to [REDACTED] in our Shares or in the [REDACTED]. You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in making your [REDACTED] decision regarding our Shares.

Forward-looking information in this document is subject to risks and uncertainties.

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [REDACTED] should not place undue reliance on such forward-looking statements. All forward looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

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MANAGEMENT PRESENCE IN HONG KONG

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

Our Company does not have, and does not contemplate in the foreseeable future that our Company will have sufficient management presence in Hong Kong for satisfying the requirement under Rule 8.12 of the Listing Rules. Given that (i) our Company’s management, business operations and assets are principally based outside Hong Kong; (ii) our Company’s headquarters and senior management are primarily based outside Hong Kong, and (iii) our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Company and therefore would not be in the best interests of our Company and our Shareholders as a whole.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange [has granted us,] a waiver from strict compliance with Rule 8.12 of the Listing Rules. Our Company will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives:** Our Company has appointed Mr. WU Xubo, an executive Director, and Mr. ZHANG Mengchi (張夢弛), the company secretary of our Company, as the authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange. Although Mr. WU Xubo resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Mr. ZHANG Mengchi ordinarily resides in Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See “Directors and Senior Management” in this document for the biographies of the Authorized Representatives;
2. **Directors:** Our Company will implement a policy to provide the up-to-date contact details of each Director (such as office phone numbers, mobile phone numbers, fax numbers, and email addresses) to the Authorized Representatives and to the Stock Exchange. This will ensure that the Authorized Representatives and the Stock Exchange will have the means to contact any of our Directors promptly as and when required, including when our Directors are traveling. To the best of our Company’s knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period when required by the Stock Exchange;

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3. **Compliance adviser:** Our Company has appointed Somerley Capital Limited as our compliance adviser (the “**Compliance Adviser**”) in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives and our Directors, act as an additional channel of communication of our Company with the Stock Exchange. The Compliance Adviser will provide us with professional advice on continuing obligations under the Listing Rules and during the period from the [REDACTED] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [REDACTED]. The Compliance Adviser will also provide advice to us when consulted by us in compliance with Rule 3A.23 of the Listing Rules. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives and Directors are not available. In turn, they will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties. Our Company has provided the Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of our Compliance Adviser’s officers who will act as the Compliance Adviser’s contact persons between the Stock Exchange and our Company; and
4. **Company secretary:** Our Company has appointed Mr. ZHANG Mengchi as our company secretary. Mr. ZHANG Mengchi and other company secretary to be appointed by the Company will maintain constant contact with our Directors and senior management team members through various means.

Meetings between the Stock Exchange and our Directors could be arranged through the Authorized Representatives, our Directors, our Compliance Adviser and/or our company secretary within a reasonable time. Our Company will also ensure that there are adequate and efficient means of communication among our Company, the Authorized Representatives, our Directors and other officers, our Compliance Adviser and our company secretary. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the Authorized Representatives, our Directors, our Compliance Adviser and/or our company secretary in accordance with the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Our Company has entered into and is expected to continue certain transactions after the [REDACTED] that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See “Connected Transactions” in this document for further information.

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PRE-[REDACTED] SHARE OPTION PLAN

Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, requires our Company to disclose, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it was given, potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the exercise of such outstanding options.

As of the Latest Practicable Date, our Company had granted options under the Pre-[REDACTED] Share Option Plan to a total of 153 eligible grantees, including (i) four connected persons of our Company, including one Director; (ii) four non-connected employees of our Company each of whom held 500,000 options or above; and (iii) 145 non-connected employees of our Group each of whom held less than 500,000 options, to subscribe for an aggregate of 17,463,918 Shares, representing approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised) on the terms set out in “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document.

Assuming full exercise of options under the Pre-[REDACTED] Share Option Plan, in relation to the shareholding of the Shareholders immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), since our Company has issued an aggregate of 17,463,918 Shares to the ESOP BVIs to hold on trust for the Pre-[REDACTED] Share Option Plan on November 22, 2022, there will be no dilution to the shareholding of the Company, and no consequent impact on the earnings per Share for the three years ended December 31, 2022 and the four months ended April 30, 2023.

We have applied to the Stock Exchange and SFC, respectively, for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that 153 grantees are involved, setting out full details of all the grantees under the Pre-[REDACTED] Share Option Plan in this document would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for information compilation and document preparation;

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- (b) as of the date of this document, except for four grantees who are connected persons of our Company, including one Director, none of the grantees under the Pre-[REDACTED] Share Option Plan is a Director, member of senior management or the connected person of our Company. Disclosing the names, addresses and entitlements on an individual basis in this document will require number of additional pages of disclosure that does not provide any material information to the [REDACTED] public. In addition, the disclosure of the personal details of each grantee, including the number of options granted, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;
- (c) the grant and exercise in full of the options under the Pre-[REDACTED] Share Option Plan will not cause any material adverse impact on the financial position of our Company;
- (d) lack of full compliance with the above disclosure requirements would not prevent our Company from providing its potential [REDACTED] with information for assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (e) material information relating to the options under the Pre-[REDACTED] Share Option Plan will be disclosed in this document, including the total number of Shares to be issued subject to the Pre-[REDACTED] Share Option Plan, the exercise price per Share, the exercise period, the vesting period and the potential dilution effect on shareholding. For the avoidance of doubt, the exercise of the options granted under the Pre-[REDACTED] Share Option Plan will not result in any impact on the earnings per Share. Our Directors consider that the information that is reasonably necessary for the potential [REDACTED] to make an informed assessment of our Company in their [REDACTED] decision making process has been included in this document.

The Stock Exchange [has granted] to us a waiver under the Listing Rules on the conditions that:

- (a) full details of the options granted under the Pre-[REDACTED] Share Option Plan to (1) the connected persons of our Company, and (2) non-connected employees of our Company each of whom held 500,000 options or above, will be disclosed in “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document, as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) for the remaining non-connected grantees, disclosures will be made for, on an aggregate basis, of (1) the aggregate number of grantees and the number of Shares underlying the options granted to all the grantees under the Pre-[REDACTED] Share Option Plan, (2) the consideration (if any) paid for the grant of the options under the Pre-[REDACTED] Share Option Plan, and (3) the exercise period, the exercise price and vesting period for the options granted under the Pre-[REDACTED] Share Option Plan;

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- (c) there will be disclosure in this document for the aggregate number of Shares underlying the options under the Pre-[REDACTED] Share Option Plan and the percentage of our Company’s total issued share capital represented by such number of Shares as of the date of this document;
- (d) the dilutive effect upon full exercise of the options under the Pre-[REDACTED] Share Option Plan will be disclosed in “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document;
- (e) a summary of the major terms of the Pre-[REDACTED] Share Option Plan will be disclosed in “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document;
- (f) the particulars of the waiver and the exemption will be disclosed in this document;
- (g) a physical copy of a full list of all the grantees under the Pre-[REDACTED] Share Option Plan, containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection at the Company’s principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document;
- (h) further information relating to the grantees who have been granted options is provided to the Stock Exchange; and
- (i) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC [has agreed to grant] to our Company the certificate of exemption under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) on an individual basis, full details of the options granted under the Pre-[REDACTED] Share Option Plan to (1) the connected persons of our Company, and (2) non-connected employees of our Company each of whom held 500,000 options or above, will be disclosed in “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document, as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) for the remaining non-connected grantees, disclosures will be made of, on an aggregate basis, (1) the aggregate number of grantees and the number of Shares

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underlying the options granted to them under the Pre-[REDACTED] Share Option Plan, (2) the consideration (if any) paid for the grant of the options under the Pre-[REDACTED] Share Option Plan, and (3) the exercise period, the exercise price and vesting period for the options granted under the Pre-[REDACTED] Share Option Plan;

- (c) a physical copy of a full list of all the grantees under the Pre-[REDACTED] Share Option Plan, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection at the Company’s principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document; and
- (d) the particulars of the exemption will be disclosed in this document and this document will be issued on or before [REDACTED].

EQUITY INTERESTS ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, a new listing applicant is required to include in its accountants’ report in the listing document the results and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the listing applicant have been made up in respect of each of the three financial years immediately preceding the issue of the listing document, or since the incorporation of such subsidiary or the commencement of such business if this occurred less than three years prior to such issue, or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to Rule 4.02A of the Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Listing Rules, the Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

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Since the end of the Track Record Period, for the purpose of strengthening strategical alliance with a major player in the digital entertainment industry chain and creating cross-industry synergy, our Group has acquired certain equity interests in Century Huatong and Guangzhou Xili Technology Co., Ltd. (“**Guangzhou Xili**”) as set out below (the “**Acquisitions**” and each of them, an “**Acquisition**”):

<u>Target company</u>	<u>Vendor</u>	<u>Principal business activities</u>	<u>Percentage of equity interest acquired/subscribed</u>	<u>Status of the Acquisition</u>	<u>The amount of consideration to be paid and the basis of consideration</u>
Century Huatong	Shanghai Yaoquru Network Technology Partnership (L.P.) (“ Shanghai Yaoquru ”) ⁽¹⁾	Online game development, operation and publishing	1.07%	The public bidding process has been completed on June 14, 2023 and Jiangxi Tanwan won the bid for 80,000,000 shares held by Shanghai Yaoquru in Century Huatong at a bidding price of RMB585,920,000. The share transfer registration procedures for the 80,000,000 shares of Century Huatong acquired by our Company were completed on June 26, 2023.	RMB585,920,000, which is the winning price of the judicial auction for 80,000,000 shares of Century Huatong. The auction starting price per share is 90% of the average closing price of the 20 trading days prior to the auction starting date of shares of Century Huatong. The consideration was fully paid on June 20, 2023.
Guangzhou Xili . . .	N/A ⁽²⁾	Artificial intelligence R&D	3.00%	The corporate registration procedures for the capital increase was completed on July 10, 2023.	RMB30,000,000, of which RMB5,000,000 was fully paid on June 2, 2023 and the remaining will be paid in installment. The consideration was determined on an arm’s length basis mainly with reference to the prospects of Guangzhou Xili future development.

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Notes:

- (1) The Acquisition was conducted through judicial auction by way of internet public bidding. Century Huatong is the Pre-[REDACTED] Investor of our Company. To the best of our knowledge, information and belief, having made all reasonable enquiries, each of Century Huatong and the ultimate beneficial owners of its substantial shareholders prior to the completion of the Acquisition was an Independent Third Party.
- (2) The Acquisition was conducted by way of capital increase in Guangzhou Xili. To the best of our knowledge, information and belief, having made all reasonable enquiries, each of Guangzhou Xili and the ultimate beneficial owners of its substantial shareholders prior to the completion of the Acquisition was an Independent Third Party.

Our Directors believe that, as the principal business activities of Century Huatong and Guangzhou Xili are closely related to the Group’s core business, the Acquisitions will complement the Group’s publishing of online game products and are expected to enrich the range of consumer products offered to our customers so as to create synergies. Accordingly, our Directors believe that the Acquisitions were and reasonable and in the interests of the Shareholders as a whole.

The considerations for the Acquisitions have been and will be satisfied by the Group’s own source of funds. For the avoidance of doubt, the [REDACTED] of the [REDACTED] will not be used to fund the Acquisitions.

We have applied for, and the Stock Exchange [has granted,] a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in relation to the preparation of financial statements in respect of the Acquisitions on the following grounds:

- (a) **Ordinary and usual course of business** — The Acquisitions are in the ordinary and usual course of business of our Group and our Group has a history of making minority investments and have conducted a number of minority investments during the Track Record Period.
- (b) **Immateriality of the Acquisitions** — Based on the financial information of Century Huatong and Guangzhou Xili available to our Company, all the applicable size test percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to each Acquisition referenced against the financials of our Company in the most recent financial year of the Track Record Period are less than 5%.

Accordingly, the Directors believe that the Acquisitions (i) are immaterial when compared to the scale of our Group’s operations as a whole; (ii) have not resulted in any significant change to the financial position of our Group since April 30, 2023; and (iii) all information that is reasonably necessary for the potential [REDACTED] to make an informed assessment of the activities or financial position of our Group has been included in the document. As such, a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the [REDACTED] public.

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- (c) **Unavailability of information** — Note 2 to Rules 4.04(2) and 4.04(4) of the Listing Rules requires that “the financial information on the business or subsidiary acquired, agreed to be acquired or proposed to be acquired must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants’ report or in a separate accountants’ report”. As Century Huatong is a public company listed on Shenzhen Stock Exchange and Guangzhou Xili is a private company incorporated in the PRC, the historical information of Century Huatong and Guangzhou Xili was prepared in accordance with PRC GAAP as opposed to HKFRS. Our Company confirms that Century Huatong and Guangzhou Xili do not have available historical financial information which is readily available for disclosure in this document in accordance with the Listing Rules.

In addition, it would require considerable time and resources for us and our reporting accountant to fully familiarize ourselves with the management accounting policies of Century Huatong and Guangzhou Xili and compile the necessary financial information in accordance with HKFRS that complies with Rule 4.04 of the Listing Rules for disclosure in the document. It is equally impractical to request the Company to produce such historical financial information in accordance with HKFRS.

- (d) **No control or significant influence over Century Huatong or Guangzhou Xili** — We are neither able to exercise any control, nor have any significant influence over Century Huatong or Guangzhou Xili, in light of our minority shareholding in each of them. The minority rights given to us are generally commensurate to our status as a minority shareholder and are for the protection of our interests as a minority stakeholder in the Acquisitions. These rights are neither intended, nor sufficient to compel or require Century Huatong or Guangzhou Xili to prepare or to disclose in this document audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. It could also be prejudicial and potentially harmful to our portfolio relationships and commercial interests to make such disclosures. In addition, as the Guangzhou Xili is a private company, disclosing this information could harm its interests and bring it into an unfavorable competitive position. Accordingly, as we do not expect the Acquisitions to result in any material changes to our financial position after the Track Record Period, we do not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would prejudice the interest of the [REDACTED] public.
- (e) **Alternative disclosure available** — Our Company has provided in this document alternative information regarding the Acquisitions which includes:
- (i) description of the principal business activities of Century Huatong and Guangzhou Xili;
 - (ii) confirmation that the counterparties and the ultimate beneficial owners of the substantial shareholders of the counterparties are independent third parties;
 - (iii) the date of the Acquisitions;

WAIVERS AND EXEMPTIONS

- (iv) the consideration of the Acquisitions, how the consideration was or would be satisfied and the basis upon which the consideration was determined; and
- (v) the reasons for the Acquisitions and the benefits which are expected to accrue to our Group as a result of the Acquisitions.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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<u>Name</u>	<u>Address</u>	<u>Nationality</u>
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Independent non-executive Directors		
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Mr. QIN Yongde (覃永德)	Room 903 Heyuan Building No.194 West Linhe Horizontal Road Tianhe District, Guangzhou Guangdong PRC	Chinese
Ms. ZHENG Yi (郑怡)	Room 2104, Unit 2, No.6 Building Ren He Spring International Park No.288 Jinghui West 2nd Road Chengdu Sichuan PRC	Chinese

See the section headed “Directors and Senior Management” in this document for further details.

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PARTIES INVOLVED IN THE [REDACTED]

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[REDACTED]

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Ernst & Young

Certified Public Accountant
Registered Public Interest Entity Auditor
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Industry Consultant

**Frost & Sullivan (Beijing) Inc., Shanghai
Branch Co.**

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1717 Nanjing West Road
Shanghai
PRC

[REDACTED]

[REDACTED]

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Registered Office	190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Company’s Website	<u>www.zx.com</u> <i>(the information contained on the website does not form part of this document)</i>
Company Secretary	Mr. ZHANG Mengchi (張夢弛) <i>(a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i> 40/F, Dah Sing Financial Centre 248 Queen’s Road East Wanchai, Hong Kong
Authorized Representatives	Mr. WU Xubo (吳旭波) Room 2702, Building 7 No. 8 Guishang Road Huangpu District, Guangzhou Guangdong PRC Mr. ZHANG Mengchi (張夢弛) 40/F, Dah Sing Financial Centre 248 Queen’s Road East Wanchai, Hong Kong
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Remuneration Committee	Ms. SONG Siyun (<i>Chairlady</i>) Mr. WU Xubo Ms. ZHENG Yi

CORPORATE INFORMATION

Nomination Committee

Mr. WU Xubo (*Chairman*)

Ms. SONG Siyun

Ms. ZHENG Yi

[REDACTED]

Compliance adviser

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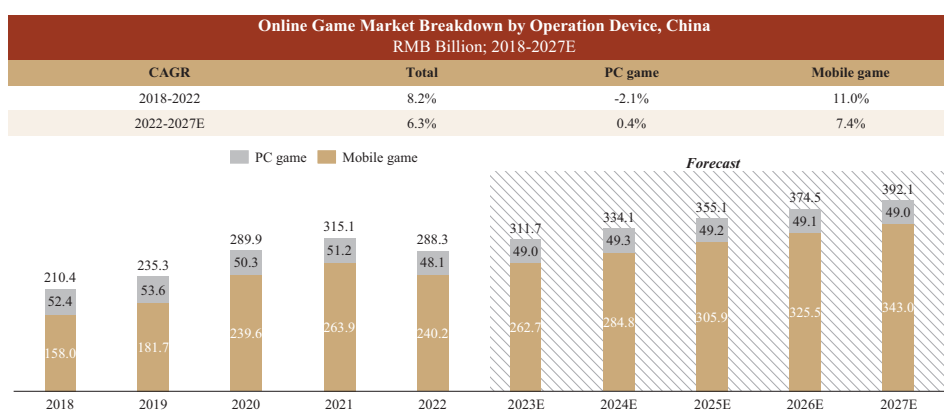
INDUSTRY OVERVIEW

This section contains certain information and statistics relating to our industry which are derived from official government sources. In addition, this section and elsewhere in the document contain information extracted from a report prepared by Frost & Sullivan, or the F&S Report, commissioned by us for purposes of this document. We believe that the sources of the information in this Industry Overview section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the F&S Report which may qualify, contradict or have an adverse impact on the quality of information in this section. However, the information from official government sources has not been independently verified by us, the [REDACTED], Joint Sponsors or any other party, involved in the [REDACTED] and no representation is given as to its accuracy.

THE ONLINE GAME MARKET IN CHINA

Following the proliferation of China’s entertainment industry, the policy environment faced by China’s online game industry expects to remain sound over the long term. Consequently, China’s online game market has been expanding rapidly, and since 2015, China has been the world’s largest market of online games in terms of user spending.

Online games can be classified as PC games and mobile games depending on operating devices. PC games include games installed in PCs and games played through PC web browsers. PC games generally involve a longer development cycle, resulting in high development and marketing costs. Mobile games are distributed on mobile devices leveraging the mobile internet platform, which generally have a higher playing frequency. Mobile games can be played anytime anywhere without restrictions on physical location. The market size of the online game market in China in terms of user spending increased from RMB210.4 billion in 2018 to RMB288.3 billion in 2022 at a CAGR of 8.2% and is expected to reach RMB392.1 billion in 2027, representing a CAGR of 6.3% from 2022 to 2027. Mobile games accounted for 83.3% of the online game market in 2022 in terms of user spending. The following chart shows a breakdown of the market size of China’s online game market in terms of user spending by operating device for the periods indicated.



Source: F&S Report

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THE MOBILE GAME INDUSTRY IN CHINA

Overview

China’s mobile game industry continues to evolve from (i) technological progress, such as the introduction of and intensifying growth in video, virtual, and cloud technologies, (ii) evolving generational behaviors that drive new models of end-user engagement and loyalty for differentiated mobile game products, and (iii) ongoing impacts from the global pandemic, in which people sought more digital entertainment at home, while often avoiding larger in-person events. According to Frost & Sullivan, those three trends, coupled with the broader socioeconomic dynamics animating the modern society, are driving more innovation and competition, and China’s mobile game industry, infused by the business of imagination are riding a wave of tremendous opportunity.

Driven by the evolving mobile communication technologies, the increasing penetration of mobile users and the shift towards use of mobile devices for game products, China’s mobile game market has become the largest and fastest-growing sectors within the combined online game industry. China’s mobile game market grew rapidly in terms of user spending at a CAGR of 11.0% from RMB158.0 billion in 2018 to RMB240.2 billion in 2022 and is expected to reach RMB343.0 billion in 2027, representing a CAGR of 7.4% from 2022 to 2027. The mobile game market size as a percentage of China’s online game market size increased from 75.1% in 2018 to 83.3% in 2022 and is expected to further increase to 87.5% in 2027.

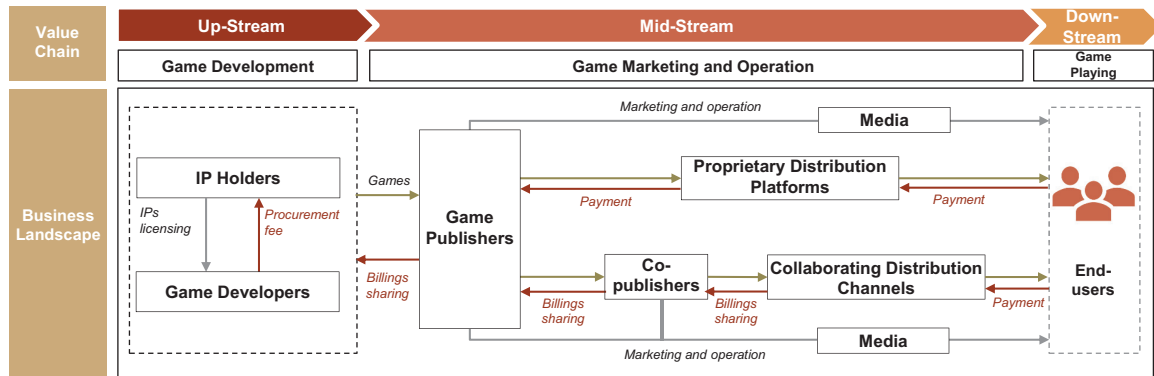
Driven by the increasing demand for cultural, leisure and recreational activities and the continuous innovation and development of the mobile game industry, China’s mobile game market is expected to continue to expand. Mobile game players account for a substantial majority of online game players in China. The total number of mobile game players grew from 593.3 million in 2018 to 654.0 million in 2022 and is expected to reach 769.3 million in 2027.

Lifecycle and Industry Value Chain of Mobile Games

A mobile game will typically experience three stages during its life cycle, namely the growth stage, the maturity stage and the recession stage. Generally, the growth stage accounts for approximately 20% to 30% of the mobile game’s lifecycle, the maturity stage accounts for approximately 50% to 60% of the mobile game’s lifecycle and the recession stage accounts for the remaining lifecycle. During the growth stage, the mobile game is launched and promoted on multiple media platforms to gain market exposures. During the maturity stage, the mobile game aggregate sufficient user base and market share, and game developers and publishers continue introduce regular upgrades and refine marketing and operation strategies to extend the maturity length of the game product. During the recession stage, the number of players and revenue generated from the game tends to decrease or remain at a relatively stable level.

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The major participants of the value chain for China’s mobile game industry include IP holders, game developers, game publishers, game co-publishers, distribution channels, media platforms and end-users, as set forth below:



Source: F&S Report

Each participant in the mobile game industry plays a unique and crucial role. The creation and development of a mobile game is primarily driven by IP holders and game developers. The mobile game product is then launched and offered by game publishers and downloading channels to end-users. The preference and behavior of end-users helps to further optimize the design, operation and marketing of the game.

- *IP Holders.* Game developers or publishers who own the intellectual property of mobile games, which provides the basis for the game product development in terms of characters and graphics, amongst others.
- *Game Developers.* The person or organization that designs a new mobile game.
- *Game Publishers.* Companies that launch promotion and marketing events and follow-up game operations on behalf of the game developers. Some large game companies also have their own internal game publishing department.
- *Game Co-publishers.* Companies co-publish with the principal game publisher to implement channel-specific marketing and operation strategies to increase the exposure of the game product.
- *Downloading Channels.* Downloading channels provide game download and upgrade services and marketing, operating and payment services to end-users.
- *Media Platforms.* Platforms where game developers or operators launch marketing campaigns to maximize the exposure of the game products to maximize user acquisition.
- *End-Users.* People who play the game products and pay for virtual items for better game experience.

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The process of game publishing is multifaceted, which generally consists of distribution, marketing and operation of game products. The game products are normally launched and offered by in-house publication department of large-scale game developers and specialized game publishers to end-users. The game developers need to have sufficient funds and resources to support game development, production, distribution and operation if they decide to launch game products through their internal publication department. Many game developers do not engage in operation of their game products, because they do not always have the resources to market, deliver, and support a game product all on their own. The operation of game products requires extensive industry experience of game operators to provide full lifecycle in-depth operation to extend the life cycle and maximize the commercial value of game products. The game operators are primarily responsible for (i) assisting game developers on game design, development and optimization, as well as establishing launch schedules and marketing strategies prior to launch of game products; (ii) supporting marketing and promotion activities after game products are launched; and (iii) tracking and analyzing behavior data of end-users and providing recommendations on product optimizations, strategic adjustments and end-users retention and conversion plans. Thus, game developers tend to cooperate with specialized game publishers to launch, market and operate their game products leveraging in-depth market understanding and industry experience of specialized game publishers. The professional services provided by specialized game publishers are able to further improve the marketability and profitability of game products. For example, the length of life cycle of a hardcore game product, particularly RPG, relies heavily on precision marketing and in-depth operation, according to Frost & Sullivan. The game developers for hardcore game products do not always have sufficient sources to market and operate game products and they tend to partner with specialized game publishers to acquire a wider end-user basis.

Similarly, our expertise in monetization of online games and marketing analytics technologies has enabled us to navigate game developers through the entire life journey of their game products, covering product evaluation, precision marketing, in-depth operation and brand development. We collaborate with talented game development teams of our clients, providing our expertise, technological resources, customer service, marketing strategy and other services to achieve a successful outcome. Our capabilities enable game developers to better focus their efforts on their core business, which is continued creation and refinement of game products. Since our inception, we have marketed and operated over 310 game products. Also, since our inception, we have enabled successful marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023. We maintained an average of five years of business relationships with our five largest game developer clients during the Track Record Period. Therefore, we believe the disintermediation risk for our online game publishing business is low.

Major Operation Models of Mobile Game Products

Driven by continuous innovation in mobile smart marketing technologies and unique characteristics of mobile games, diversified models for marketing and operations of game products enable game developers to maximize monetization opportunities. Currently, there are two major models for marketing and running a mobile game product, namely, the self-run model and joint-run model. Under the self-run model, the game publisher is solely responsible for

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marketing and operating the game products primarily through its own comprehensive market evaluation capabilities powered by its own technology platform. The self-run model emphasizes brand development for newly released game products. Under the joint-run model, the game publisher partner with other co-publishers which generally refers to app store operators to jointly provide marketing and operation solutions for game products on multiple media platforms to maximize the product exposure. The joint-run model puts an emphasis on branding enhancement, which, in turn, extends the lifecycle of the game products. The following chart sets forth the main characteristics of the self-run model and joint-run model:

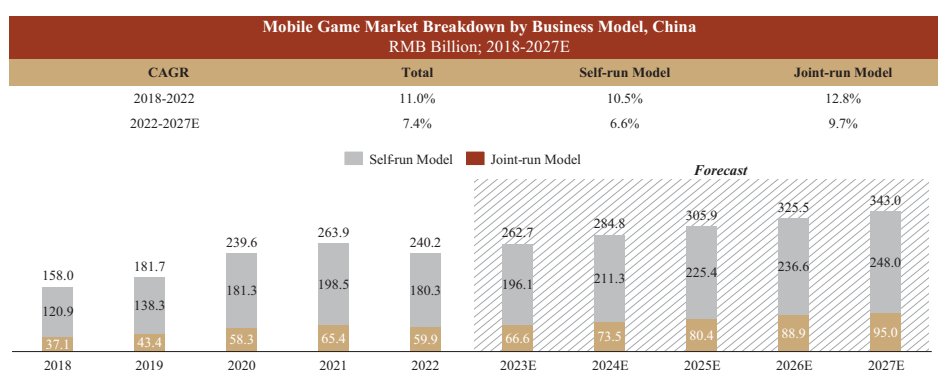
	SELF-RUN MODEL	JOINT-RUN MODEL
STAKEHOLDERS	<ul style="list-style-type: none"> • Game developers; • Game publishers; • Media platforms. 	<ul style="list-style-type: none"> • Game developers; • Game publishers; • Co-publishers; • Media platforms.
OPERATIONAL CHARACTERISTICS	<ul style="list-style-type: none"> • The game publishers independently market and operate game products. • Leveraging the game publishers’ own marketing awareness, sophisticated expertise and industry experience. 	<ul style="list-style-type: none"> • The game publishers and co-publishers (including online distribution channels, i.e., major App stores) jointly market and operate game products. • Leveraging the co-publishers’ marketing technologies, accumulated end-users’ behavior data and traffic acquisition capabilities via App stores.
MARKETING CHANNELS	<ul style="list-style-type: none"> • Attract and retain traffic through multiple media platforms such as media platforms and short-form video platforms, particularly the top-notch media platforms in China. 	
MAJOR DOWNLOADING CHANNELS	<ul style="list-style-type: none"> • Proprietary downloading platforms operated by game publishers. 	<ul style="list-style-type: none"> • The collaborating distribution platforms operated by co-publishers.
FINANCIAL ARRANGEMENTS	<ul style="list-style-type: none"> • Mainly including advertising fees paid to media platforms. • Obtaining higher portion of gross billings made by end-users (after third-party payment channels deduct agreed-upon amount of commission fees they are entitled to). 	<ul style="list-style-type: none"> • Mainly including revenue-sharing paid to co-publishers. • Obtaining lesser portion of gross billings made by end-users (after third-party payment channels deduct agreed-upon amount of commission fees they are entitled to and co-publishers deduct agreed-upon portion they are entitled to).

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	SELF-RUN MODEL	JOINT-RUN MODEL
APPLICATION	<ul style="list-style-type: none"> Primarily for new game products at infancy stage. 	<ul style="list-style-type: none"> Primarily for game products that have accumulated a marketable end-user base.
OBJECTIVES	<ul style="list-style-type: none"> To increase end-user exposure of new game products. 	<ul style="list-style-type: none"> To emphasize brand establishment and awareness, as well as full lifecycle operation on game products.
ADVANTAGES	<ul style="list-style-type: none"> Achieve relatively lower customer acquisition cost through precision marketing; Positively contribute to the brand development; No withholding by collaborating media platforms of a portion of gross billings paid by end-users. 	<ul style="list-style-type: none"> Stable and considerable traffic; Promotion of the brand of game products; Effectively increasing the exposure of game products and the coverage of end-users.

Source: F&S Report

Mobile games operated under the self-run model accounted for a major portion of the mobile game market in recent years, but the market size of mobile games operated under the joint-run model has been growing quickly. The market size for mobile games operated under the joint-run model grew rapidly at a CAGR of 12.8% from RMB37.1 billion in 2018 to RMB59.9 billion in 2022 and is expected to reach RMB95.0 billion in 2027, representing a CAGR of 9.7% from 2022 to 2027. The following chart sets forth a breakdown of China’s mobile game market by operation model for the periods indicated:



Source: China Audio-video and Digital Publishing Association, App Annie and F&S Report

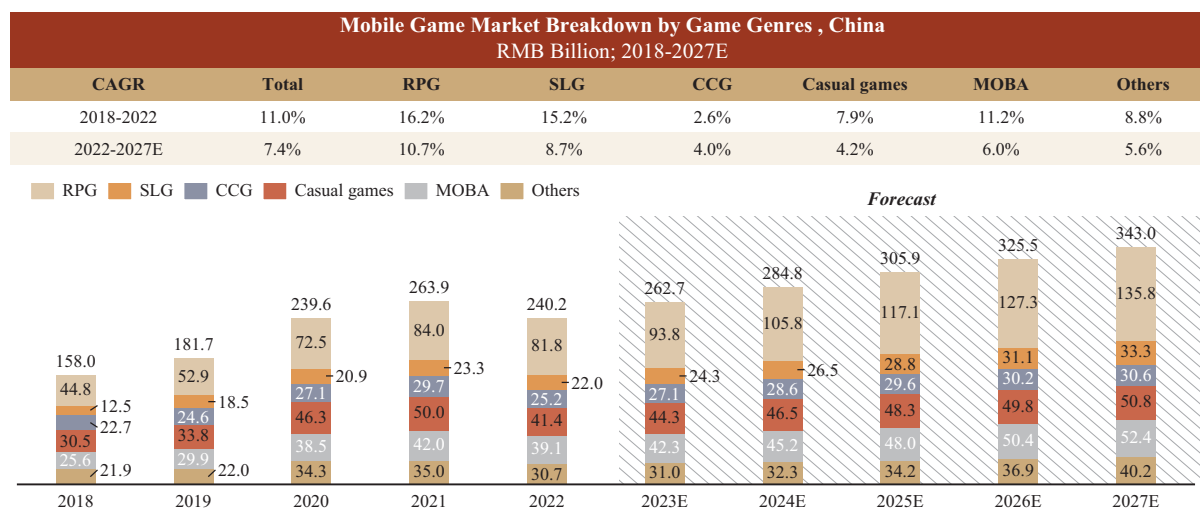
INDUSTRY OVERVIEW

Major Genres of Mobile Games

Mobile games generally can be classified into various genres, and a genre may consist of multiple types of games, based on factors including dynamic game rules, player experiences and tools. Set forth below are the major genres and types of mobile games:

- *RPG (role-playing games)*: a genre of games in which a player assumes the role of a character, interacts with each other in an evolving fantasy or fictional world and takes control over the character’s actions, which generally has longer lifecycle as compared to casual games. MMORPG usually have more diverse game scene settings with a better end-user experience, which is one of the most popular types of RPG. RPGs are generally considered as hard-core games, and the lifecycle for RPGs is typically around 12 months;
- *SLG (simulation games)*: a genre of games that allows players to control characters and attempt to emulate various activities from real life in the game format;
- *CCG (collectible card games)*: a genre of games that are played using specially designed sets of playing cards;
- *Casual games*: a genre of games that is typically designed with relatively simple but attractive gameplay in a minimalistic style, such as cartoons, played by users for recreational purposes, and generally have shorter gaming time per play compared to other mobile game genres. Idle games are an important type of casual game. Casual games are regarded as mid-core or light games, and the lifecycle for casual games is typically around 10 months; and
- *MOBA (multiplayer online battle arena)*: a genre of games in which each player controls a single character, usually on an equidistant map, as part of a team competing against another team of players.

The following chart shows a breakdown of China’s mobile game market in terms of user spending by game genre for the periods indicated.



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Source: China Audio-video and Digital Publishing Association, App Annie and F&S Report

RPG, which generally have a longer lifecycle as compared to casual games, is one of the most significant genres in terms of user spending, indicating its strategic importance and market potential. Driven by the unique feature of RPG, China’s RPG market increased with a CAGR of 16.2% from RMB44.8 billion in 2018 to RMB81.8 billion in 2022, and is expected to grow to RMB135.8 billion in 2027, representing a CAGR of 10.7% from 2022 to 2027. It is expected to continue to grow with its unique sense of identification through the game characteristics and storyline settings.

Key Drivers and Trends of China’s Mobile Game Industry

The following factors are expected to contribute to the growth of the mobile game industry, in which we operate:

- ***Increasing demand for innovative and quality game products.*** The emerging mobile game industry have resulted in the evolving demand for diversified and quality game products. The quality of the game products is considered one of the major factors that tend to influence user stickiness and willingness to purchase. People tend to try out various types of games for diversified and fun experience in game play and prefer mobile games with high-quality and innovative elements. As such, creative and high-quality game products are able to attract a large number of players and maintain a stable user base.
- ***Increasing importance of comprehensive marketing and operating capabilities.*** China’s mobile game market is expanding rapidly. However, due to the limited capital resource and industry network, small to medium game developers rely on mobile game publishers to market and operate their games. Publishing channels and media platforms also rely on publishers to provide high-quality game products to generate traffic. In addition, game publishers are actively seeking more accurate and precise methods to better target the end-users. By doing this, game publishers are able to market and operate the game products more effectively and in turn strengthen their competitive advantages in the mobile game industry.
- ***Increasing consumption and willingness to pay by mobile game players.*** As per capita disposable income continues to grow, game players in China have shown increasing willingness to pay for attractive and meaningful in-game content. Moreover, convenient payment channels and user-friendly transaction processes, such as Weixin Pay and Alipay, have facilitated user payment for in-game content, which will in turn drive the mobile game industry to grow. Moreover, 5G technology with higher transmission speed is taking over 4G given its ability to significantly improve user experience when playing online games, which further increase the players’ willingness to pay.
- ***Development of technology infrastructure.*** In 2022, the total number of 5G base stations in China has exceeded 2.3 million and is expected to exceed 9.7 million in 2027, according to Frost & Sullivan. The deployment of 5G increases the internet

INDUSTRY OVERVIEW

speed, which will improve quality of the animation, diversify gameplay format and advance the technology development. The implementation of online games, cloud games and high-resolution live streaming will be accessible to a wider range of people with better end-user experience. In addition, the implementation of AR/VR and big data analysis have gradually been applied to the mobile game industry, which create a better gameplay experience. The enriched functionalities of AR/VR capabilities enable the mobile game companies to develop the ecosystem in metaverse related offerings. Therefore, technological innovation is expected to set a new growth point for the mobile game industry in China.

- ***Establishment and development of innovative metaverse technologies.*** The development of innovative technologies in internet industry is marching humanity closer toward the metaverse (or metaverses), i.e., a Web 3.0 world, where people will spend more of their time in immersive, digital worlds, and the digital world will be drawn across the physical one. The rise of metaverse technologies and their applications will drive new models of customer engagement and loyalty and also lead to more mobile game product innovation, greater empowerment for their creators, and a fuller realization of the grand ambitions for the metaverse technologies in a Web 3.0 world. According to Frost & Sullivan, a Web 3.0-based mobile game world is the trajectory of the mobile game industry, and Web 3.0 is currently reshaping the online game industry with new game features that make use of blockchains. This new version of the Internet has paved the way for incorporating disruptive technologies in the gaming industry, including metaverse, virtual lands, digitized tokens and AR/VR. With Web 3.0, players will be able to utilize their in-game virtual tokens in the real world for their utilities. To address these opportunities and ensure we remain at the forefront of the mobile game industry by increasing our investments in R&D activities and pursuing strategic acquisitions. For example, we intend to allocate approximately 10.0%, or HK\$[REDACTED], of our [REDACTED] from the [REDACTED], to improve our technology capabilities, a portion of which is expected to spend on exploring technologies or technology partners with potential to develop Web 3.0-based game products. Therefore, our business strategy on this front is in line with the general trajectory of the mobile game industry.
- ***Overseas markets exploration.*** An increasing number of China’s mobile game publishers are entering overseas markets to explore potential opportunities. Many Chinese game publishers have accumulated professional knowledge of overseas markets and understanding of local taste and preference, which greatly assists them in conquering overseas markets. The growing influence of Chinses mobile game publishers has generated a substantial market share and a large user base. As a result, game publishers tend to launch game products with refined and localized features, which will set a new growth point for the mobile game industry.

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Entry Barriers to China’s Mobile Game Industry

There are significant entry barriers and challenges in the mobile game industry in China, including the following:

- ***Relationships with business partners.*** The extensive experience gained from long-term cooperation with game developers and collaborating media platforms can assist game publishers to distribute game products more precisely. As top players have established long-term and stable relationships with game developers and media platforms, new entrants with less experience or bargaining power may have less chance to collaborate with industry-leading game developers and medial platforms. As such, it is difficult for new entrants to cooperate new game developers and collaborate with leading media platforms.
- ***Brand awareness and end-user base.*** Mobile games that are marketed and operated under the established brand generally have better chances of being well received by the market. Popular brand could accumulate a large end-user base in a short period of time. Leveraging the established brand, the marketing and operation of mobile game products may be more cost-effective. In comparison, for other new entrants without an existing end-user base, it may take longer time and higher marketing investments to attract new players.
- ***Knowledge of end-user preference and market trends.*** It is essential for game publishers to develop good knowledge of ever-changing player preferences and adjust distribution strategies in a timely manner to meet the needs of the players. Therefore, a mobile game publisher should have solid capabilities to establish algorithm platforms for complex data analysis and build comprehensive and detailed end-user profiles. Mobile game publishers rely heavily on big data analysis to ensure high-quality recommendations and precise marketing strategies. Failure to generate adequate big data or keep pace with market dynamics may adversely affect new entrants to ramp up the online game publishing business.
- ***Technology know-how.*** To market and operate high-quality mobile games that can attract and retain users and maintain a market-leading position, game publishers need to equip themselves with strong R&D capabilities. Continuous investments in R&D and infrastructure allow mobile game publishers to efficiently analyze marketing activities in order to match the products with suitable end-users. They rely heavily on advanced technologies and algorithm-based platforms to better understand the needs and expectations of end-users, as well as a team of professional talent to continuously upgrade the technology platforms. However, it may take a long time to establish a professional team or acquire technology know-how for new entrants.
- ***Emerging mobile game marketing, operation and distribution methods.*** The emerging marketing, operation and distribution methods of mobile game products have dramatically influenced the mobile game industry. Driven by the establishment and development of various media platforms, such as social media platforms and short-form video platforms, there have been several methods for end-users to access digital

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information. To better capitalize on mobile game, more innovative distribution channels and monetization models may be adopted as new sources of revenue. For instance, short video platforms such as Douyin and Kuaishou, as well as other emerging live streaming platforms have attracted a vast number of users. At the same time, mobile game publishers are actively exploring new methods to promote content to attract end-users, such as leveraging key opinion leaders and expanding live streaming categories. The ability to follow and leverage the innovative and emerging distribution methods will be important to mobile game publishers.

Specific to our company, controlling cost and operating expenses to achieve optimal operating efficiency is important to our growth and success. The level of our cost of sales, which primarily consists of commissions to collaborating distribution channels and third-party payment channels and employee benefit expenses, is subject to various factors, such as our bargaining power with collaborating distribution channels and third-party payment channels. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our cost of sales was RMB433.0 million, RMB997.4 million, RMB2,407.5 million, RMB738.4 million and RMB799.7 million, respectively. In addition, our selling and distribution expenses accounted for the largest component of our operating expenses during the Track Record Period. Our selling and distribution expenses primarily consist of marketing and promotion expenses, which mainly represent online traffic acquisition fees to collaborating online media platforms, offline marketing expenses and celebrity endorsement fees. We incurred selling and distribution expenses of RMB1,916.7 million, RMB3,851.2 million, RMB5,622.4 million, RMB1,919.1 million and RMB1,391.6 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively, which accounted for 66.7%, 67.1%, 63.8%, 67.4% and 56.8% of our total revenue, respectively. The increased selling and distribution expenses reflected our increased marketing efforts to promote our online game publishing business and end-user engagement. The decrease of selling and distribution expenses from the four months ended April 30, 2022 to the four months ended April 30, 2023 was primarily due to a decrease in marketing and promotion expenses, as certain game products entered into a later stage of their lifecycle, and therefore did not require significant marketing and promotion resources. We expect our selling and distribution expenses to remain substantial in absolute amount as we further expand our business. We believe our services have network effects that can promote our brand effectively and enhance our marketing efficiency. The self-reinforcing network effects of our services and associated operating leverage allow us to promote our brand and compete effectively by enjoying lower acquisition cost and growing product lifetime value in the future. Also, as our business grows in scale, we expect to have more operating leverage and realize structural cost savings. We believe the continued growth of our business and expansion of our market share can benefit us from economies of scale, resulting from higher utilization of our services and technologies and stronger bargaining power with the collaborating distribution channels and third-party payment channels.

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Competitive Landscape of China’s Mobile Game Industry

The tables below illustrate the market size (in terms of revenue) and ranking of the largest platforms for marketing and operating mobile game products in China.

Ranking of the Leading Companies for Publishing Mobile Game Products in Terms of Revenue, China, 2022; RMB Billion

Ranking	Company Name	Description	Revenue	Market Share
1	Company A	A company established in 2004 and listed in Hong Kong. Company A is headquartered in Shenzhen, which provides online games and social networks services, online advertising services, fintech and business services and other online related services. Company A is one of the highest grossing multimedia companies in the world in terms of its revenue.	96.0	40.0%
2	Company B	A company established in 1997 and listed in the U.S. and Hong Kong. Company B is headquartered in Hangzhou, which provides online games, music streaming and private-label e-commerce, e-mail service and others. Company B is one of the largest internet and video game companies in the world.	36.2	15.1%
3	Company C	A company established in 2016. Company C is headquartered in Shanghai, which primarily engaged in development, marketing and operation of mobile games. In addition to games, Company C has created various products such as animated series, novels, comics, musics and merchandise.	23.0	9.6%
4	Company D	A company established in 2011 and listed in China. Company D is headquartered in Guangzhou which provides creative entertainment business based on the development, marketing and operation of online games. Company D also operates in multiple media sectors, including metaverse, film and television, music production, animation, artist agencies, cultural and healthcare content, social networking and new consumption.	10.1	4.2%
5	Our Company	-	8.3	3.5%
			173.6	72.3%

Source: Expert review conducted by F&S and F&S Report

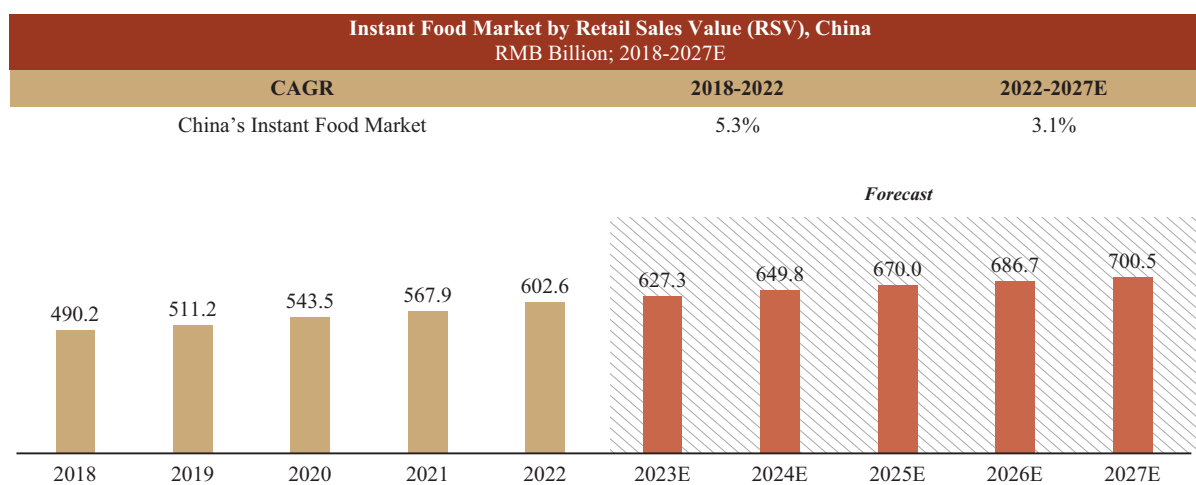
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According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. The top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022.

Compared with our competitors, we believe the following elements contribute to our competitive edge over them: (i) our profound experience in precision marketing, in-depth operation and brand development to extend the monetization potential and lifecycle of a game product, particularly for a game product developed by a third-party; (ii) our large end-user base with long-term and comprehensive relationships partnership with game developers and major media platforms; (iii) our in-depth operation abilities navigating through the entire life journey of a game product, covering product evaluation, precision marketing, in-depth operation and brand development; (iv) our proprietary technology platforms that are capable of ingesting and analyzing disparate parameters to generate actionable insights, which are then translated into marketing campaigns for targeted end-users; and (v) our brand development capabilities of enhancing the brand awareness and penetration of game products. See “Our Business—Our Competitive Strengths” for a detailed description of our strengths over our competitors.

INSTANT FOOD INDUSTRY AND POP TOY MARKET IN CHINA

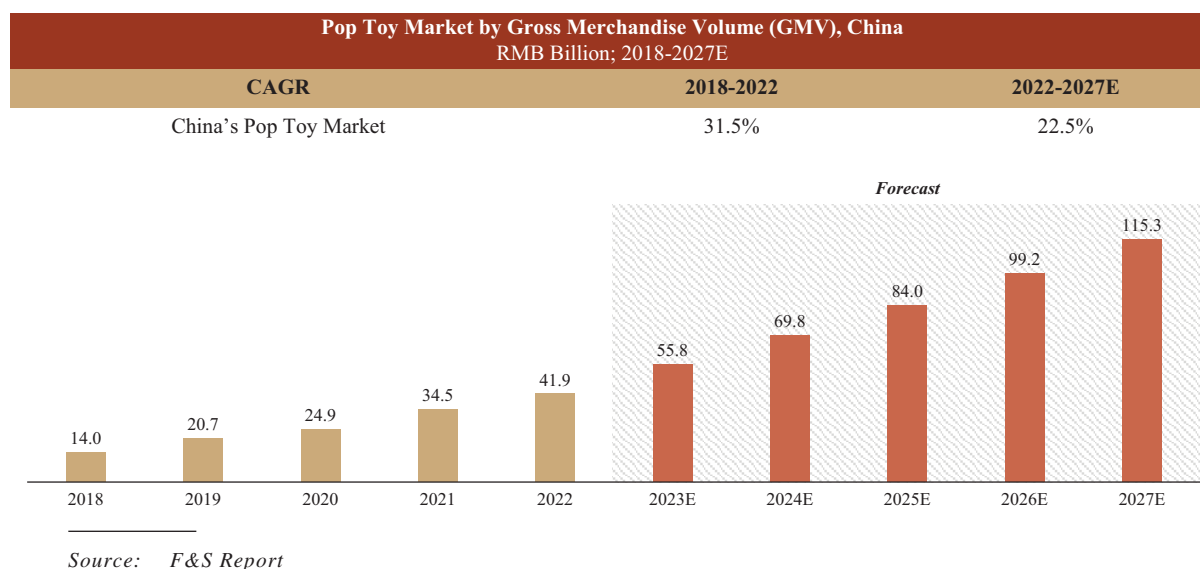
Instant food refers to the food with easy-to-make characteristics. More consumers are attracted by the simplified cooking feature of instant food, and tend to spend more on instant food to save cooking time under different consumption scenarios. The instant food industry in China increased rapidly with a CAGR of 5.3% in from RMB490.2 billion in 2018 to RMB602.6 billion in 2022. Further, the instant food industry in China is expected to reach RMB700.5 billion in 2027 with a CAGR of 3.1% from 2022 to 2027, due to the rapid development of new forms of instant food categories, including instant noodles, instant hot pot and instant pasta. The following chart shows the market size of China’s instant food market in terms of retail sales value for the periods indicated.



Source: F&S Report

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Pop toys refer to toy infused pop culture and trendy content, serving as a subtle blend of both. Driven by the increase of disposable income, rapid growth of the pop culture industry, particularly the successful development of more high-quality IPs in the market, the market size of pop toy increased rapidly from RMB14.0 billion in 2018 to RMB41.9 billion in 2022 at a CAGR of 31.5%. The pop toy market is anticipated to further increase to RMB115.3 billion in 2027 at a CAGR of 22.5% from 2022 to 2027. The following chart shows the market size of China’s pop toy market in terms of GMV for the periods indicated.



SOURCE OF INFORMATION

We commissioned Frost & Sullivan, a market research and consulting company and an Independent Third Party, to conduct research and analysis of, and to produce a report on China’s mobile game market for the period from 2018 to 2027. The F&S Report has been prepared by Frost & Sullivan independent of the influence of our Group and other interested parties. We have agreed to pay Frost & Sullivan a total fee of RMB1.73 million for the preparation and use of the F&S Report, and we believe that such fees are consistent with the market rate. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

In preparing the report, Frost & Sullivan has relied on the statistics and information obtained through primary and secondary research. Primary research involves discussing the status of the industry with certain leading industry participants. Secondary research which involves reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the abovementioned industry key drivers.

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In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) global social, economic and political environment is likely to remain stable in the forecast period; (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions; and (iii) related industry key drivers are likely to drive the market in the forecast period. Except as otherwise noted, all data and forecasts in this section come from the F&S Report. Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information presented in the F&S Report since the date of its issuance which may qualify, contradict or impact the information in this section.

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This section sets forth a summary of the most significant laws, rules and regulations that affect our business activities in the PRC and our shareholders’ rights to receive dividends and other distributions from us.

Regulations Relating to Foreign Investment

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》(2022年版), the “**Encouraged Catalog**”), and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021) (《外商投資准入特別管理措施(負面清單)》(2021年版), the “**Negative List**”), which were both jointly promulgated by the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Commerce (the “**MOFCOM**”) and each became effective on January 1, 2023 and on January 1, 2022, respectively. The Negative List sets out the industries in which foreign investments are prohibited or restricted. According to the Negative List, the operation of internet cultural business (except for provision of music) is a foreign investment prohibited industry, and the proportion of foreign investments in entities engaged in value-added telecommunications business (except for electronic commerce, domestic multi-party communication, store-and-forward, and call center) shall not exceed 50%.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**” or “**FIL**”) was adopted by the National People’s Congress on March 15, 2019, and came into effect on January 1, 2020 and replaced the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), the Sino-foreign Equity Joint Ventures Enterprise Law (《中華人民共和國中外合資經營企業法》) and the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and their implementation regulations to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities. Foreign-invested enterprises established before the implementation of the Foreign Investment Law may retain their original organization, amongst other matters, within five (5) years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises change their organization forms and organization structures in accordance with the PRC Company Law (《中華人民共和國公司法》), the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws.

According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to the negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that granted to domestic investors and their investments. The negative list management system means that the state implements special administrative measures for access of foreign investment in specific fields. Foreign investors shall not invest in any prohibited industries stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted industries. Foreign investors’ investment, earnings and other legitimate rights and interests within the territory of China shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises.

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The Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”), which was adopted on December 12, 2019 and came into effect on January 1, 2020, provides implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which was jointly promulgated by the MOFCOM and the State Administration for Market Regulation (the “**SAMR**”) on December 30, 2019 and came into effect on January 1, 2020, has replaced the Interim Measures for the Administration of Record-filing on the Establishment and Changes in Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

The Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), which was jointly promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, sets forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機製辦公室) (the “**Office of the Working Mechanism**”) will be established under the NDRC who will lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. “Control” as contemplated in item (ii) of the preceding sentence exists when the foreign investor (a) holds over 50% equity interests in the target enterprise, (b) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target enterprise even when it holds less than 50% equity interests in the target, or (c) has material impact on the target enterprise’s business decisions, human resources, accounting and technology.

Regulations on Value-Added Telecommunication Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecom Regulations**”), promulgated by the PRC State Council on September 25, 2000 and last amended on February 6, 2016, provides a regulatory framework for the telecommunications services and service providers in China. Under the Telecom Regulations, the telecommunications service providers are required to obtain an operating license in accordance with the classification of telecommunications businesses prior to the commencement of their operations. The Telecom Regulations categorize telecommunications businesses into basic telecommunications services and value-added telecommunications services (the “**VATS**”). According to the Classification

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Catalog of Telecommunications Businesses (《電信業務分類目錄》) (the “**Telecom Catalog**”) which was issued as an attachment to the Telecom Regulations to set out specific categories of telecommunications services, and last amended by the Ministry of Industry and Information Technology (the “**MIIT**”) on June 6, 2019, information service provided via fixed network, mobile network and Internet fall within the scope of VATS.

In September 2000, the State Council issued the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), which was amended in January 2011. Pursuant to the Internet Measures, “Internet information services” refers to the provision of information through the Internet to online users, and are divided into “commercial Internet information services” and “non-commercial Internet information services.” A commercial Internet information services provider must obtain a VATS license for Internet information services, or the ICP license, from the relevant government authorities before engaging in any commercial Internet information services operations in China, while the ICP license is not required if the provider will only provide Internet information on a non-commercial basis.

The Administrative Measures for Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》) (the “**Licenses Measures**”), promulgated by the MIIT in March 2009 and most recently amended in July 2017, sets forth more specific provisions regarding the types of licenses required to operate VATS, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under the Licenses Measures, a commercial operator of VATS must first obtain a VATS License from the MIIT or its provincial level counterparts. Furthermore, the commercial operator of VATS shall operate its telecommunications business in accordance with the type of telecommunications business that lies within the scope of business coverage as stated in its business permit, and pursuant to the provisions of the business permit. Otherwise, such operator might be subject to sanctions, including corrective orders from the competent administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, such operator may be ordered to suspend operation and adopt rectifying measures, and be placed on the list of dishonest telecommunications business operators. According to the Licenses Measures, a VATS license has a term of five years.

Foreign investment in telecommunications companies in the PRC is governed by the Provisions for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**Foreign-Invested Telecommunications Enterprises Provisions**”), which was promulgated by the State Council on December 11, 2001, and amended on September 10, 2008 and February 6, 2016. The Foreign-Invested Telecommunications Enterprises Provisions require the foreign-invested VATS enterprises in China to be established as sino-foreign equity joint ventures, in which the percentage of foreign ownership shall not exceed 50%. In addition, the main foreign investor who invests in a foreign-invested VATS enterprises operating the VATS business in China must demonstrate a good track record and experience in operating a VATS business. On March 29, 2022, the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》), which took effect on May 1, 2022, was promulgated to amend certain provisions of regulations including the Foreign-Invested Telecommunications Enterprises Provisions. The

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requirement for major foreign investors of a foreign-invested VATS enterprise to demonstrate a good track record and experience in operating VATS businesses was removed.

For the purpose of further strengthening relevant administration of foreign investment in the VATS business, the Ministry of Information Industry, the predecessor of the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business(《關於加強外商投資經營增值電信業務管理的通知》) on July 13, 2006, which prohibits holders of these telecommunications business licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct any illegal telecommunications operation by any means in China.

Regulations on Mobile Internet Applications Information Services

In addition to the Telecom Regulations and other regulations mentioned above, mobile internet applications are especially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**APP Provisions**”), which was promulgated by the Cyberspace Administration of China (the “**CAC**”), on June 14, 2022 and became effective on August 1, 2022. The APP Provisions regulate the APP information service providers and the APP Store distribution service providers, while the CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide or local APP information respectively. The APP information service providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and fulfill their obligations provided by the APP Provisions.

Regulations on Games Publishing and Operation

Regulatory Authorities

The Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the “Three Provisions” jointly promulgated by the Ministry of Culture (the “**MOC**”), the State Administration of Radio Film and Television (the “**SARFT**”) and the General Administration of Press and Publication (the “**GAPP**”) (中央機構編制委員會辦公室關於印發《中央編辦對文化部、廣電總局、新聞出版總署〈“三定”規定〉中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋》的通知), which was issued by the State Commission Office for Public Sector Reform (a division of the State Council) and became effective on September 7, 2009, provides that the State Administration of Press, Publications, Radio, Film and Television (the “**SAPPRFT**”), the successor of the SARFT and the GAPP will be responsible for the examination and approval of online games to be uploaded on the internet and that, after such upload, online games will be administered by the MOC.

Pursuant to the revised Interim Measures on the Administration of Internet Culture (《互聯網文化管理暫行規定》) (the “**Internet Culture Measures**”) issued by the MOC on December 15,

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2017, “internet culture products” are defined as including the online games specially produced for internet and games disseminated or distributed through internet, and provision of internet culture products and related services for commercial purpose is subject to the approval of the provincial counterparts of the MOC.

In accordance with the applicable PRC laws and regulations, the current pre-approval from the press and publication authorities includes a two-stage process, (i) approval from the press and publication authorities at the provincial level, followed by (ii) final approval from the press and publication authority at the national level. The Central Committee of the Communist Party of China issued the Plan for Deepening the Institutional Reform of the Party and State (深化黨和國家機構改革方案) and the National People’s Congress adopted the Institutional Reform Plan of the State Council (國務院機構改革方案) in March, 2018 (collectively, the “**Institutional Reform Plans**”). According to the Institutional Reform Plans, the responsibility of administration of press and publication of the SAPPRT was transferred to the National Administration of Press and Publication (國家新聞出版署) (the “**NPPA**”) (also under the name of Propaganda Division of the Central Committee of the Communist Party of China as a department of the Communist Party of China), and the responsibility of administration of radio and television of the SAPPRT was transferred to the National Radio and Television Administration (中華人民共和國國家廣播電視總局) (the “**NRTA**”), a newly-formed institution directly under the charge of the State Council. Furthermore, the MOC was reformed and now known as the Ministry of Culture and Tourism (文化和旅遊部) (the “**MOCT**”).

In May 2019, the General Office of the MOCT released the Notice on Adjusting the Scope of Examination and Approval regarding the “Internet Culture Operation License” to Further Regulate the Approval Work (《關於調整<網絡文化經營許可證>審批範圍進一步規範審批工作的通知》) (the “**Notice of Adjusting Examination Scope**”), which further specifies that the MOCT no longer assumes the responsibility for the administration of online games industry. On July 10, 2019, the MOCT issued the Decision on the Abolition of the Interim Measures on Administration of Online Games and the Administrative Measures for Tourism Development Plan (關於廢止《網絡遊戲管理暫行辦法》和《旅遊發展規劃管理辦法》的決定) (the “**Abolition Decision**”). The Abolition Decision also cites the Regulations on the Function Configuration, Internal Institutions and Staffing of the Ministry of Culture and Tourism and further abolishes the Interim Measures on Administration of Online Games, which means that the MOCT will no longer regulate the industry of the online games. However, as of the Latest Practicable Date, it is still unclear as to whether the supervision responsibility of the MOCT will be transferred to another governmental department or whether such governmental department will raise similar or new supervision requirements for the operation of online games.

Restrictions on Foreign Investment

Both the internet publishing services (including the online game publishing) and internet culture operation (including the online game operation) fall within the prohibited categories in the Negative List. The Notice of the GAPP, the State Copyright Administration and National Anti-Pornography and Anti-Illegal Publications Working Group Office on Implementing the “Regulation on Three Provisions” of the State Council and the Interpretations Edited by the SCOPSR to Further Strengthen the Pre-Approval of Online Games and the Approval and

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Management of Imported Online Games (《新聞出版總署、國家版權局、全國“掃黃打非”工作小組辦公室關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) (the “**GAPP Notice**”), promulgated by the GAPP, together with the National Copyright Administration and the Office of the National Working Group for Crackdown on Pornographic and Illegal Publications, on September 28, 2009, provides, among other things, that foreign investors are not permitted to invest or engage in online game operations in China through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual agreements or providing technical support. Serious violation of the GAPP Notice will result in suspension or revocation of relevant licenses and registrations.

Regulations on Games Publishing

The Regulations on the Administration of Internet Publishing Services (《網絡出版服務管理規定》) (the “**Internet Publishing Regulations**”), jointly issued by the SAPPRFT and MIIT on February 4, 2016 and which took effect on March 10, 2016, regulates a broad range of activities related to the “internet publishing services” providing “internet publications”, including online games, to the public through information networks. The Internet Publishing Regulations provides that any entity that is engaged in internet publishing services must obtain an Internet Publishing Service License (網絡出版服務許可證) and requires that prior to internet publishing of online games, an entity shall apply with the publishing authority of the province, autonomous region or centrally-administered municipality where it is situated, which shall, after its examination and consent, forward the same to the SAPPRFT for examination and approval. According to the Internet Publishing Regulations, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and foreign entities shall not engage in internet publishing services.

On May 24, 2016, the General Office of the SAPPRFT issued the Notice on Administration of Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》) (the “**Mobile Game Publishing Notice**”), which took effect on July 1, 2016. The Mobile Game Notice provides that game publishing services providers shall be responsible for examining the contents of their games and applying for game publication numbers (遊戲出版物號). An online game shall not be published without the prior approval of the SAPPRFT. Under the Mobile Game Publishing Notice, the “game publishing service entities” refers to online publishing service entities that have obtained the Internet Publishing Service License from the SAPPRFT within game publishing business included in the scope of business. Concerning those mobile games (including pre-installed mobile games) that have been published and operated online before the implementation of Mobile Game Notice, relevant approval procedures would have to be implemented by the game publishing service entities and enterprises in coordination with the provincial publication administrative departments before October 1, 2016 as required by Mobile Game Notice. Otherwise, these mobile games shall cease to be published or operated online. Given the considerable amount of games that fail to obtain the pre-approval before launching in the industry, the Notice on Extending the Time Limit under the Notice on the Administration over Mobile Game Publishing Services (《關於順延<關於移動遊戲出版服務管理的通知>有關

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工作時限的通知》) promulgated by the SAPPRFT on September 19, 2016 further extended the above time limit for application of pre-approval from October 1, 2016 to December 31, 2016.

Regulations on Games Operation

According to the Internet Culture Measures, an internet cultural product includes the online games specially produced for internet and games disseminated or distributed through internet. To provide internet cultural products and related services for commercial purpose is subject to the approval of the provincial counterparts of the MOC.

On June 3, 2010, the MOC promulgated the Interim Measures on Administration of Online Games (《網絡遊戲管理暫行辦法》) (the “**Online Game Measures**”), which was last amended on December 15, 2017, comprehensively regulate the activities related to online game business, including the development and production of online games, the operation of online games, the issuance of virtual currencies used for online games, and virtual currency trading services. The Online Game Measures provide that any entity that is engaged in online game operations must obtain Internet Culture Operation Licenses, and require the content of an imported online game to be examined and approved by the MOCT prior to the launch of the game and the content of a domestic online game must be filed within 30 days of its launch with the MOCT. The Online Game Measures also requires online game operators to protect the interests of the online game players and specified certain terms that must be included in the service agreements between online game operators and its online game players. On July 10, 2019, the MOCT issued the Decision of the Ministry of Culture and Tourism of the PRC on Abolishing the Interim Measures for the Administration of Online Games and the Measures for Planning and Administration of Tourism Development (《文化和旅遊部關於廢止<網絡遊戲管理暫行辦法>和<旅遊發展規劃管理辦法>的決定》), which specifies that the Online Game Measures was abolished by the MOCT on July 10, 2019.

The Notice on Regulating Online Game Operation and Strengthening Interim and Ex Post Supervision (《文化部關於規範網絡遊戲運營加強事中事後監管工作的通知》) (the “**Game Regulation Notice**”), which took effect on May 1, 2017 and abolished on August 19, 2019, sets the requirements in relation to online games and further clarifies the business scope of online games. The principle of punishment on the penalizing illegal behavior of online game co-operating enterprises is also regulated in the Game Regulation Notice. On August 19, 2019, the MOCT issued the Announcement on the Results of Clearing Administrative Normative Documents (《文化和旅遊部關於行政規範性文件清理結果的公告》), which specifies that the Game Regulation Notice was abolished by the MOCT.

Regulations on Virtual Currency and Virtual Items

On January 25, 2007, the Ministry of Public Security (the “**MPS**”), the MOC, the MIIT and the GAPP jointly issued the Notice on Regulating Operation Order of Online Games and Inspection of Gambling via Online Games (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》) (the “**Anti-gambling Notice**”). To curtail online games that involve online gambling, the notice (a) prohibits online game operators from charging commissions in the form of virtual

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currency in connection with winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players.

The Notice on the Reinforcement of the Administration of Internet Cafés and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》) (the “**Internet Cafés Notice**”) jointly issued by the MOC, the People’s Bank of China (the “**PBOC**”) and other governmental authorities in February 2007 with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system, places strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Internet Cafés Notice further provides that virtual currency should only be used to purchase virtual items and prohibits any resale of virtual currency.

The Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “**Virtual Currency Notice**”) jointly issued by the MOC and the MOFCOM in June 2009, defines the meaning of the term “virtual currency” and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for players’ cash or virtual money.

Regulations on Real-Name Registration and Anti-Addiction

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, jointly enacted the Notice Regarding the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors (《關於保護未成人身心健康實施網絡遊戲防沉迷系統的通知》) (the “**Anti-addiction Notice**”), which requires the implementation of an anti-addiction compliance system by all PRC online game operators in an effort to curb addiction to online games by minors. Under the anti-addiction compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be “healthy”, three to five hours is deemed “fatiguing”, and five hours or more is deemed “unhealthy”. Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of time a game player spends online has reached the “fatiguing” level, and to zero in the case of the “unhealthy” level.

Pursuant to Notice Regarding Commencement of Authentication of Real Names for Anti-addiction System on Online Games (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》) (the “**Commencement of Real-name Authentication Notice**”) issued by the relevant eight government authorities on July 1, 2011, online game (excluding mobile game) operators must submit the identity information of game players to the National Citizen Identity Information Center, for verification since October 1, 2011, in an effort to prevent minors from using an adult’s ID to play online games. On July 25, 2014, the SAPPRFT issued the Notice Regarding

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Deepening Implementation of Authentication of Real Names for Anti-addiction System on Online Games (《關於深入開展網絡遊戲防沉迷實名驗證工作的通知》) (the “**Implementation of Real-name Authentication Notice**”) and effected on October 1, 2014, which specify that subject to the hardware, technology and other factors, the anti-addiction compliance system applies to all online games excluding mobile games temporarily. Additionally, according to the Mobile Game Notice, which became effective in July 2016, mobile games are subject to the Commencement of Real-name Authentication Notice unless the mobile game to be published, among other things, does not concern themes such as politics, military, nations and religions, belongs to the class of casual puzzle domestic mobile games without plots or with simple plots and is not authorized by overseas copyright owners.

On August 30, 2018, eight PRC regulatory authorities at national government level released the Implementation Program on Comprehensive Prevention and Control of Adolescent Myopia (《綜合防控兒童青少年近視實施方案》) (the “**Implementation Program**”). As a part of the plan to prevent myopia among children, the Implementation Program plans to regulate the number of new online games and restrict the amount of time that children spend on playing electronic devices. As of the Latest Practicable Date, no implementation rule has been issued to enforce the Implementation Program.

On October 25, 2019, the NPPA issued the Notice on Preventing Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲的通知》), which took effect on November 1, 2019. The Notice stipulates several requirements on the online game operation, including but not limited to: (i) all online game users shall register their game accounts with valid identity information; (ii) the time slot and duration for playing online games by minors shall be strictly controlled; (iii) the provision of paid services to minors shall be regulated; (iv) the regulation of the industry shall be enhanced and the requirements above shall be requisite for launching, publishing and operating online games; and (v) the development and implementation of an age-appropriate reminding system shall be explored. Online game companies shall analyze the cause of minors’ addiction to games, and alter the content and features of games or game rules resulting in such addiction. The online game companies shall not provide paid services to minors under 8 years old. For minors between 8 and 16, the top-up amount shall not exceed RMB50 per time and the accumulative amount shall not exceed RMB200 per month; for players over 16 but below 18, the top-up amount shall not exceed RMB100 per time and the accumulative amount shall not exceed RMB400 per month.

On October 17, 2020, the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “**SCNPC**”) revised and promulgated the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法 (2020修訂)》), which took effect on June 1, 2021. Law of the PRC on the Protection of Minors (2020 Revision) added a new section entitled “Online Protections” which stipulates a series of provisions to further protect minors’ interests on the internet, among others, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, (ii) online service providers for products and services such as online games, live broadcasting, audio-video, and social networking are required to establish special management systems of user duration, access authority and consumption for minors, (iii) online games service providers must request minors to register and log into online games with their valid identity

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information, (iv) online games service providers must categorize games according to relevant rules and standards, notify users about the appropriate ages for the players of the games, and take technical measures to keep minors from accessing inappropriate online games functions, and (v) online games service providers may not provide online games services to minors from 10:00 p.m. to 8:00 a.m. the next day.

On August 30, 2021, the NPPA issued the Notice on Further Preventing Minors from Indulging in Online Games (《國家新聞出版署關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which became effective on September 1, 2021, imposing stricter time limits for playing online games by minors, and providing that online game operators may only provide online game services to minors on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m. In addition, this notice requires that all the online games must be connected to the real-name registration and game addiction prevention system of the GAPP, all the online game players must register or login in using authentic and valid identity information, and online game operators may not provide game services, in any manner (including in visitor experience mode), to any users who have not registered using their real names.

On October 20, 2021, six PRC government authorities jointly issued the Notice on Strengthening the Management of Preventing Primary and Middle School Students from Indulging in Online Games (《關於進一步加強預防中小學生沉迷網絡遊戲管理工作的通知》), which further stipulates that online game companies shall fulfill the requirements for real-name registration. Real-name registration information submitted by online game users must be verified by the real-name verification system of the NPPA. Online game operators may only provide online game services to primary and middle school students on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m.

Regulations on Online Advertising Services

On October 27, 1994, the Standing Committee of the National People’s Congress enacted the Advertising Law of the PRC (《中華人民共和國廣告法》) (the “**Advertising Law**”), which became effective on February 1, 1995 and was amended in April 2015, October 2018 and April 2021. According to the Advertising Law, an advertiser shall be responsible for the veracity of the contents of advertisements, while advertising operators and advertisement publishers shall examine the relevant certification documents pursuant to applicable laws and regulations, and check advertisement contents. The Advertising Law require an advertiser or advertising agency which uses the name or image of others in an advertisement shall obtain their written consent beforehand. On February 25, 2023, the SAMR issued the Measures for the Administration of Internet Advertising (《互聯網廣告管理辦法》), effective on May 1, 2023, which requires Internet advertisers to be responsible for the authenticity of the contents of advertisements.

Laws and Regulations in Relation to Sales of Food

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the “**Food Safety Law**”), which was promulgated on February 28, 2009 by the SCNPC and last amended on

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April 29, 2021, and the Regulation on the Implementation of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) (the “**Implementation Rules of the Food Safety Law**”), which was promulgated by the State Council on July 20, 2009 and last amended on March 26, 2019, the state adopts a licensing system for food production and trade, those intending to engage in the production, sale of food or the catering services shall legally obtain a permit. The PRC has established a food recall system under the Food Safety Law and its Implementation Rules. Where a food producer or trader finds that food it has produced or sold does not comply with relevant food safety standards, it shall immediately cease the production or trade thereof and notify the relevant producers, traders and consumers.

The Administrative Measures on Food Distribution Licensing (《食品經營許可管理辦法》), which was promulgated on August 31, 2015 and latest amended on November 17, 2017, provides that engaging in food sales and provide catering services in the PRC shall obtain food distribution license. The food and drug administrations shall conduct categorized licensing of food distribution activities according to the business types of food distributors and the risk degrees of business items.

Pursuant to the Administrative Provisions on Food Labeling (《食品標識管理規定》), which was promulgated on August 27, 2007 and latest amended on October 22, 2009, food identification labels should state the name, place and date of production, expiry date, net quantity, list of ingredients, name and addresses and contact information of producers, and standardization numbers of national standards, industry standards, local standards or enterprise standards for those who have filed these to the authorities. Food which is under the production licensing management scheme is required to show its food production license number.

According to the Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》) promulgated by the State Administration for Industry and Commerce on March 15, 2021 and effective on May 1, 2021 (the “**Trading Measures**”), these Trading Measures shall apply to the business activities of selling goods or providing services in information network activities such as online social networking and online live streaming.

Regulations on Internet Security and Censorship

Internet information in China is also regulated and restricted from a national security standpoint. The SCNPC has enacted the Decisions on Maintaining Internet Security (《維護互聯網安全的決定》) on December 28, 2000 and further amended on August 27, 2009. In accordance with this decision, violators may be subject to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe 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 (《計算機信息網絡國際聯網安全保護管理辦法》), which was amended in January 2011, prohibits use of the Internet in ways which, among other things, results in a leakage of state secrets or a spread of socially destabilizing content. If an Internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its website(s).

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The Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the “**Internet Protection Measures**”), which was promulgated by the MPS on December 13, 2005 and took effect on March 1, 2006, requires internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and to detect illegal information, stop transmission of such information, and keep relevant records. If the Internet services providers violates these measures, the MPS and the local security bureaus may revoke its operating license and shut down its website. Pursuant to Circular of the MPS, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council on Printing and Distributing the Administrative Measures for the Graded Protection of Information Security (《公安部、國家保密局、國家密碼管理局、國務院信息工作辦公室關於印發<信息安全等級保護管理辦法>的通知》) promulgated on June 22, 2007, the security protection grade of an information system may be classified into the five grades. To newly build an information system of Grade II or above, its operator or user shall, within 30 days after it is put into operation, complete the record-filing procedures at the local public security organ at the level of municipality divided into districts or above of its locality.

The National Security Law of the PRC (《中華人民共和國國家安全法》), which was issued by the SCNPC on July 1, 2015 and came into effect on the same day, provides that the state shall safeguard the sovereignty, national security and cybersecurity and development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services and other important activities that are likely to impact the national security of China.

The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”) was promulgated by the SCNPC on November 7, 2016 and became effective on June 1, 2017. Under this regulation, network operators shall fulfill their obligations to safeguard the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Further, the network operator shall not collect personal information which is irrelevant to the services it provides or collect or use personal information in violation of the provisions of laws or agreements between both parties. Network operators of key information infrastructure shall store within the territory of the PRC all personal information and important data collected and produced within the territory of PRC. Their purchase of network products and services that may affect national security shall be subject to national cybersecurity review.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council promulgated Opinions on Rigorously Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) (the “**Opinions on Illegal Securities Activities**”), which set forth seven aspects of opinions to promote high-quality development of capital markets and combat illegal securities activities.

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Pursuant to the Opinions on Illegal Securities Activities, the enforcement and judiciary cooperation on cross-border supervision shall be strengthened, which includes: (i) strengthening cross-border supervision cooperation, improving laws and regulations in relation to data security, cross-border data flow, and confidential information management, and confirming the responsibility for data security of companies listed overseas; (ii) strengthening the supervision on overseas-listed China-based companies (中概股公司), clarifying the responsibilities of domestic industry authorities and regulators, and strengthening cross-sectoral supervision cooperation; and (iii) establishing a sound system for the extraterritorial application of capital market laws, formulating judicial interpretations and relevant rules for the extraterritorial application of securities laws, and promoting the mutual recognition and enforcement of judicial decisions between foreign countries and regions and the PRC. The Opinions on Illegal Securities Activities will be generally applicable to us as well as other overseas-listed China-based companies (中概股公司). However, as these opinions are recently issued, the implementation and enforcement of the Opinions on Illegal Securities Activities, especially with regard to cross-border supervision of data security and supervision of Chinese companies listed overseas, are still subject to the promulgation of specific implementation rules. It is still unclear whether and how such opinions will further evolve into supervisory measures of the CSRC and how such opinions or measures will be implemented.

On December 28, 2021, the CAC published the Measures for Cybersecurity Review (2021) (《網絡安全審查辦法(2021)》) (the “**Cybersecurity Measures 2021**”), which became effective on February 15, 2022. Pursuant to the Cybersecurity Measures 2021, an online platform operator who possesses the personal information of more than 1 million users shall declare to the Office of Cybersecurity Review for cybersecurity review when going public abroad.

On August 20, 2021, the Standing Committee of the National Peoples’ Congress (“SCNPC”) passed the Personal Data Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “**Personal Data Protection Law**”) which came into effect on November 1, 2021, the Personal Data Protection Law stipulates the rules for cross-border transfer of personal information. Any cross-border transfer of personal information is subject to the condition that it is necessary to provide the personal information to a recipient outside China due to any business need or any other need, as well as the satisfaction of at least one of the following conditions: (i) where a security assessment organized by the national cyberspace authority has been passed; (ii) where a certification of personal information protection has been passed from a professional institution; (iii) where a standard contract formulated by the national cyberspace authority has been entered into with the overseas recipient; or (iv) any other condition prescribed by laws, administrative regulations or any other requirements by the national cyberspace authority.

On November 14, 2021, the CAC published the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulations on Cyber Data Security Management**”), which specified that data processor who seeks to go public in Hong Kong, which affects or may affect national security, shall apply for cybersecurity review. In addition, the Draft Regulations on Cyber Data Security Management also regulate other specific requirements in respect of the data processing activities conducted by data processors through the internet in view of personal data protection, important data

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safety, cross-broader data safety management and obligations of network platform operators. Data processors processing personal information of more than one million people shall also comply with the provisions for processing of important data stipulated in Draft Regulations on Cyber Data Security Management for important data processors. Data processors dealing with important data or listing overseas (including Hong Kong) should carry out an annual data security assessment by themselves or by entrusting data security service agencies, and each year before January 31, data security assessment report for the previous year shall be submitted to the districted city level cyberspace administration department. When data collected and generated within the PRC are provided to the data processors overseas, if such data includes important data, or if the relevant data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processor shall go through the security assessment of cross-border data transfer organized by the national Cyberspace Administration. As of the Latest Practicable Date, the Regulations on Cyber Data Security Management (Draft for Comments) has not been formally adopted.

The Notice on APP Security Certification (《關於開展APP安全認證工作的公告》) and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施細則》), which was jointly issued by the Office of the Central Cyberspace Affairs Commission (the “OCCAC”) and the SAMR on March 13, 2019, encourages mobile application operators to voluntarily obtain APP security certification, and search engines and APP stores to recommend certified applications to users.

Pursuant to the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**CII Regulations**”), which was issued by the State Council and came into effect on September 1, 2021, “critical information infrastructures” refers to important network facilities and information systems in public telecommunications, information services, energy sources, transport, water conservation, finance, public services, as well as other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, national economy and citizen’s livelihood and public interests, and competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures (the “**Protection Authorities**”). The Protection Authorities will establish the rules for the identification of critical information infrastructures based on the particular situations of the industry and report such rules to the public security department of the State Council for record. The following factors must be considered when establishing identification rules: (i) the importance of network facilities and information systems to the core businesses of the industry and the sector; (ii) the harm that may be brought by the damage, malfunction or data leakage of, the network facilities and information systems; and (iii) the associated impact on other industries and sectors. The Protection Authorities are responsible for organizing the identification of critical information infrastructures in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council. These provisions were newly issued, and detailed rules or explanations may be further enacted with respect to the interpretation and implementation of such provisions, including rules on identifying critical information infrastructures in different industries and sectors.

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On December 13, 2022, the MIIT issued the Measures for Data Security Administration in the Industry and Information Technology Field (Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》), which became effective on January 1, 2023. In accordance with the measures, the industrial and telecommunication data processors shall classify data firstly based on the data’s category and then based on its security level on a regular basis, to classify and identify data based on the industry requirements, business needs, data sources and purposes and other factors, and to make a data classification list. In addition, the industrial and telecommunication data processors shall establish and improve a sound data classification management system, take measures to protect data based on the levels, carryout key protection of critical data, implement stricter management and protection of core data on the basis of critical data protection, and implement the protection with the highest level of requirement if different levels of data are processed at the same time. The measures also impose certain obligations on industrial and telecommunication data processors in relation to, among others, implementation of data security work system, administration of key management, data collection, data storage, data usage, data transmission, provision of data, publicity of data, data destruction, safety audit and emergency plans, etc.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the “**Provisions**”) was jointly promulgated by the MIIT, the CAC and the MPS on July 12, 2021 and took effect on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. Network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to administrative penalty as regulated in accordance with the Cybersecurity Law.

On July 7, 2022, the CAC officially issued the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》), which became effective and implemented on September 1, 2022. The Measures applies to the security assessment conducted by data processors where they provide overseas parties with important data and personal information collected and generated during the operation in the PRC. Based on the Measures, data processors shall apply for the security assessment of data cross-border transfer to the CAC through the provincial cyberspace administration in the place where they operate if they provide data outside China and fall into one of the following conditions: (1) data processors provide important data outside China; (2) operators of critical information infrastructure and data processors who process personal information of over 1 million users provide personal information outside China; (3) data processors who provide accumulative personal information of over 100,000 users or accumulative sensitive personal information of over 10,000 users outside China from January 1 of previous year; (4) other situation as required to declare the security assessment for data cross-border transfer as requested by the cyberspace administration.

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Regulations on Data and Privacy Protection

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》) (the “**Market Order Provisions**”), which became effective on March 15, 2012. The Provisions stipulate that without the consent of users, internet information service providers, are prohibited from a wide range of activities that would infringe upon the rights and interests of users of other internet information service providers, including but not limited to, collecting information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (hereinafter referred to as “**personal information of users**” or “**users’ personal information**”), providing personal information of users to others, unless otherwise provided by laws and administrative regulations. The Provisions also requires that internet information service providers shall properly keep the personal information of users; if the preserved personal information of users is divulged or may possibly be divulged, internet information service providers shall immediately take remedial measures.

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Information Protection on Networks (《關於加強網絡信息保護的決定》) (the “**Information Protection Decision**”), which became effective on the same day, to enhance the legal protection of information security and privacy on the Internet. The Information Protection Decision provides that Internet service providers must expressly inform their users of the purpose, manner and scope of the Internet service providers’ collection and use of users’ personal information, publish the Internet service providers’ standards for such information collection and use of users’ personal information, and collect and use personal information only with the user consent and to only operate within the scope of such consent. The Information Protection Decision also mandates that Internet service providers and their employees must keep strictly confidential personal information they collect, and that Internet service providers must take such technical and other measures as are necessary to safeguard the information against unauthorized disclosure.

On July 16, 2013, the MIIT promulgated the Provisions on Protecting the Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) (the “**Telecommunication and Internet Users Provisions**”), which became effective on September 1, 2013, to regulate the collection and use of users’ personal information in the provision of telecommunication services and Internet information services in China. Personal information includes a user’s name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. According to the Telecommunication and Internet Users Provisions, telecommunication business operators and Internet service providers are required to constitute their own rules for the collection and use of users’ personal information, and may not collect or use user’s personal information without user consent. Telecommunication business operators and Internet service providers must specify the purposes, manners and scope(s) of information collection and usage, obtain consent of the relevant users, and keep the collected personal information confidential. Telecommunication business operators and Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing other people with, collected personal information. Telecommunication business operators and Internet service providers are

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required to take technical and other measures to prevent collected personal information from any unauthorized disclosure, damage or loss.

The Cybersecurity Law further addresses the issue on the protection of personal information.

Pursuant to the Ninth Amendment to the Criminal Law (《中華人民共和國刑法修正案(九)》) issued by the SCNPC, in August 2015 and became effective on November 1, 2015, any internet service provider that fails to fulfill its obligations towards internet information security administration as required by applicable laws, and refuses to rectify when ordered, shall be subject to criminal sanctions.

On May 8, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Infringing on Citizens’ Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the “**Interpretations**”), which became effective on June 1, 2017. The Interpretations provide more practical conviction and sentencing criteria for the infringement of citizens’ personal information and serves as a milestone for the protection of citizens’ personal information with criminal liability.

On November 28, 2019, the CAC, MIIT, the MPS and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《APP違法違規收集使用個人信息行為認定方法》). This regulation illustrates certain commonly seen illegal practices of APP operators in terms of the protection of personal information, including “failure to publish rules on the collection and usage of personal information,” “failure to expressly state the purpose, manner and scope of the collection and usage of personal information,” “collecting and using personal information without obtaining consents from users,” “collecting personal information irrelevant to the services provided,” “providing personal information to other parties without obtaining consent” and “failure to provide the function of deleting or correcting personal information as required by law or failure to publish the methods for complaints and reports or other information”.

On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children’s Personal Information (《兒童個人信息網絡保護規定》), effective on October 1, 2019. No organization or individual is allowed to produce, release or disseminate information that infringes upon the personal information security of children under 14. Network operators are required to establish special policies and user agreements to protect children’s personal information, and to appoint special personnel in charge of protecting children’s personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a noticeable and clear way, notify and obtain consent from children’s guardians.

Pursuant to the National People’s Congress of the PRC approved the PRC Civil Code (《中華人民共和國民法典》), which took effect on January 1, 2021, the personal information of a

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natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the Standing Committee of the National People’s Congress on June 10, 2021 and came into effect on September 1, 2021, provides that processors of data shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

The CAC, the MIIT, the MPS and the SAMR jointly promulgated the Provisions on the Scope of Essential Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) effective from May 1, 2021, which clarifies the scope of Essential Personal Information for Common Types of Applications. In addition, internet application (App) operators shall not refuse users to use the basic functions of Apps on the ground that users do not agree to collect unnecessary personal information.

According to the Law of the PRC on the Protection of Minors (2020 Revision), information processors must follow the principles of legality, legitimacy and necessity when processing personal information of minors via internet, and must obtain consent from minors’ parents or other guardians when processing personal information of minors under age of 14. In addition, internet service providers must promptly alert upon the discovery of publishing private information by minors via the internet and take necessary protective measures.

The Personal Data Protection Law integrates the scattered rules with respect to personal information rights and privacy protection. Personal information, as defined in the Personal Data Protection Law, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding the anonymized information. The Personal Data Protection Law provides the circumstances under which a personal information processor could process personal information, which includes: (i) where the consent of the individual concerned is obtained; (ii) where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded; (iii) where it is necessary for performing a statutory responsibility or statutory obligation; (iv) where it is necessary in response to a public health emergency, or for protecting the life, health or property safety of a natural person in the case of an emergency; (v) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes; (vi) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope; or (vii) any other circumstance as provided by laws or administrative regulations. It also stipulates certain specific rules with respect to the obligations of a personal information processor, such as to inform the purpose and method of processing to the individuals, and the obligation of the third party who has access to the personal information by way of co-processing or delegation.

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On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, the Ministry of State Security jointly promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), which became effective and implemented on March 1, 2022. The Administrative Provisions on Internet Information Service Algorithm Recommendation implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, stipulates that algorithm recommendation service providers shall inform users of their provision of algorithm recommendation services in a conspicuous manner, and publish the basic principles, purpose intentions, and main operating mechanisms of algorithm recommendation services in an appropriate manner, and that algorithm recommendation service providers selling goods or providing services to consumers shall protect consumers’ rights of fair trade, and are prohibited from carrying out illegal conducts such as unreasonable differential treatment on transaction conditions based on consumers’ preferences, purchasing habits, and other such characteristics.

Pursuant to the APP Provisions, application providers shall process personal information by following the principles of legitimacy, rightfulness, necessity and good faith, have clear and reasonable purposes, disclose processing rules, comply with the relevant provisions on the scope of necessary personal information, regulate personal information processing activities, and take necessary measures to ensure the security of personal information. An internet application program provider shall not compel users to agree to non-essential personal information collection out of any reason, and shall be prohibited from banning users from their basic functional services due to the users’ refusal of providing non-essential personal information.

Regulations Relating to Foreign Exchange

Regulations on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “**PRC Foreign Exchange Regulations**”), most recently amended in August 2008. Under the PRC Foreign Exchange Regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Notice 59**”) in November 2012, and was amended in May 2015, October 2018 and December 2019. The SAFE Notice 59 substantially amends and simplifies the current foreign exchange procedure. Pursuant to SAFE Notice 59, the opening of various special purpose foreign exchange accounts under direct investment, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits

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and dividends by a domestic enterprise reinvested by a foreign-funded investment holding company to such foreign-funded investment holding company no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Provisions on Foreign Exchange Control on Direct Investments in China by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) in May 2013 and most recently amended it on December 30, 2019, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On February 13, 2015, the SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Notice 13**”) and amended it on December 30, 2019. After SAFE Notice 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of the SAFE, will directly examine the applications and conduct the registration.

On March 30, 2015, the SAFE promulgated The Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular 19**”) and amended it in December 2019 and March 23, 2023. SAFE Circular 19 allows foreign-invested enterprises to make equity investments by using RMB funds converted from foreign exchange capital. Under SAFE Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of international balance of payments. However, SAFE Circular 19 and another circular promulgated by SAFE in June 2016, The Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular 16**”), continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from foreign exchange capital for expenditure on activities beyond its business scope, or prohibited by laws and regulations of PRC, investment in securities or other investment with the exception of bank financial products that can guarantee the principal within China unless otherwise specifically provided, and providing loans to non-affiliated enterprises, or constructing or purchasing real estate that are not for self-use with the exception for the real estate enterprise.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “**SAFE Circular 3**”), which stipulates several capital control measures with respect to the outbound remittance of profit from

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domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on PRC Residents’ Offshore Investment and Financing and Round-trip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”) on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75”. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, the special purpose vehicles, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, for the purpose of overseas investment and financing. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to special purpose vehicles, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle itself may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to SAFE Notice 13, local banks will examine and handle foreign exchange registration for overseas direct investments, including the initial foreign exchange registration and amendment registration.

Regulations on Employee Stock Incentive Plans of Overseas Publicly-Listed Company

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and to complete the relevant procedures. We and our executive officers and other employees who are PRC citizens, or non-PRC citizens who reside in China for a continuous period of not less than one year, and have been granted options will be subject to

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these regulations upon the completion of this [REDACTED]. Failure by these individuals to complete their SAFE registrations may subject us and them to fines and other legal sanctions.

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

Regulations Relating to Overseas Direct Investment

The Administrative Measures for Overseas Investment Management (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014. As defined by the Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall be filed with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

On December 26, 2017, NDRC issued the Administrative Measures for the Overseas Investment of Enterprises (《企業境外投資管理辦法》) (the “**Measures**”), which took effect on March 1, 2018. Under the Measures, sensitive overseas investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive overseas investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of PRC enterprises carrying out non-sensitive overseas investment projects through overseas enterprises under their control, with an investment amount of USD300 million or above, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such non-sensitive projects to NDRC. Where the PRC resident, acting in the capacity of a natural person, makes overseas investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis. Subsequently on January 31, 2018, NDRC issued the Catalog of Sensitive Overseas Investment Industry (2018 Version) (《境外投資敏感行業目錄(2018年版)》) effective from March 1, 2018, under which enterprises shall be restricted from making overseas investments in certain industries including without limitation, real estate and hotel industries.

Regulations on Intellectual Property Rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

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Copyright

China is a signatory to some major international conventions for the protection of copyrights and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (Revised in 2020) (《中華人民共和國著作權法》(2020年修訂)) (the “**Copyright Law**”) and related rules and regulations. The Copyright Law provides that works of Chinese citizens, legal persons, or organizations without legal personality, whether published or not, shall enjoy copyright protection under Copyright Law, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. According to the Copyright Law, copyright infringement will give rise to various civil liabilities, which include claims to cease the infringement activities, apologizing to the copyright owners, and compensating the loss suffered by the copyright owner. In severe cases, copyright infringements may also result in fines and/or administrative or criminal liabilities.

The Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) took effect on July 1, 2006 and was amended on January 30, 2013, further provides that an Internet information service provider may be held liable under various situations, including if it knows or should reasonably have known that a copyright infringement through the Internet took place, and failed to take measures to remove, block or disconnect links to the relevant content, or, where the service provider was previously unaware of the infringement, failed to take appropriate measures upon receipt of the copyright holder’s notice of infringement.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the “**Software Copyright Measures**”), promulgated by the NCA on April 6, 1992 and amended on May 26, 2000 and February 20, 2002, regulates registrations of software copyrights, exclusive licensing contracts for software copyright, and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration, and the Copyright Protection Center of China (the “**CPCC**”) is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》) was promulgated by the Ministry of Information Industry, the predecessor of the MIIT, and NCA and took effect on May 30, 2005, provided that an Internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content distributed through internet infringes upon his/its copyright and preserve the copyright owner’s notice for 6 months. Where an Internet information service provider clearly knows an Internet content provider’s tortious act of infringing upon

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another’s copyright through Internet, or fails to take measures to remove infringing content after receipt of the copyright owner’s notice, to the detriment of public interests, the infringer and the information service provider shall be ordered to stop the tortious act, and may be subject to confiscation of the illegal proceeds and a fine of not more than 3 times the illegal proceeds; if such figure is difficult to be calculated, a fine of not more than RMB 100,000 may be imposed.

The Provisions of the Supreme People’s Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes on Infringement of the Information Network Dissemination Rights (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) took effective on January 1, 2013 and was amended on December 29, 2020, specifies that disseminating works, performances or audio-video products by Internet users or Internet services providers via the Internet without authorization of the copyright owners, shall be deemed to have infringed the right of dissemination of the copyright owner.

The Notice on Regulating Copyright Order of Internet Reproduction (《關於規範網絡轉載版權秩序的通知》) issued by the NCA on April 17, 2015 provides that when reprinting content of others, the Internet media shall (1) ask for permission from the copyright owner, pay remuneration and clarify the name of the author, as well as title and source of the content, except otherwise provided by law; (2) not make material alternation to the content, when making literal modification and deletion to the title and the content, the original meaning of the title and the content shall not be distorted; (3) establish and further improve the internal copyright management system.

Trademark

The Trademark Law of the PRC (Revised in 2019) (《中華人民共和國商標法》(2019年修訂)) (the “**Trademark Law**”), which came into effect on November 1, 2019, and the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council in 2002 and as most recently amended on April 29, 2014, protect registered trademarks. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. The Trademark Office of National Intellectual Property Administration (the “**Trademark Office**”) is responsible for the registration and administration of trademarks throughout the PRC, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the initial or extended term. Trademark license agreements must be filed with the Trademark Office for record. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

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Patent

The patents are protected under the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”), which was promulgated on March 12, 1984, last amended on October 17, 2020 and became effective on June 1, 2021, and under the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the PRC Patent Bureau Council on January 19, 1985, last amended on January 9, 2010, and became effective on February 1, 2010.

Domain Name

Domain names are protected under the Administrative Measures on the Internet Domain Names of the PRC (《互聯網域名管理辦法》), promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017. The MIIT is the major regulatory authority responsible for the administration of the PRC Internet domain names. The registration of domain names in PRC is on a “first-apply-first-registration” basis. Applicants for registration of domain names shall provide the true, accurate and complete information of their identities to domain name registration service institutions. The applicant will become the domain name holder upon the completion of the application procedure.

On July 21, 2023, the MIIT promulgated Notice of the Ministry of Industry and Information Technology on Carrying out the Filing Work of Mobile Internet Applications (《工業和信息化部關於開展移動互聯網應用程序備案工作的通知》), which requires app operators to complete the filing procedures, and the domain name, IP address, and other network resources used by such app operator should comply with the Administrative Measures on the Internet Domain Names of the PRC (《互聯網域名管理辦法》) and relevant measures.

Regulations on Dividend Distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from the WFOE, which is wholly foreign-owned enterprises incorporated in China, to fund any cash and financing requirements we may have. According to the Company Law, the Foreign Investment Law, and other relevant laws and regulations, companies in China including foreign invested enterprises, may pay dividends only out of their accumulated after-tax profits (if any), to be determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to allocate at least 10% of their respective accumulated profits each year (if any), to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Regulations on M&A and Overseas Listings

Pursuant to the Provisions on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) promulgated by the MOFCOM, the CSRC, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the SAT, the SAIC and the SAFE on

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August 8, 2006, which came into force on September 8, 2006 and was amended on June 22, 2009, if a domestic company or individual in China intends to acquire its related domestic company through an offshore company which it lawfully established or controls, such acquisition shall be subject to the examination and approval of MOFCOM. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle (the “SPV”), formed for listing purposes and controlled directly or indirectly by domestic companies or individuals in China, shall obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the domestic companies in China in exchange for the shares of offshore companies.

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five relevant guidelines, which will become effective on March 31, 2023. The Overseas Listing Trial Measures regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect form, are required to complete the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provide that no overseas offering and listing shall be made under any of the following circumstances: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholder and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) where there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholder that are controlled by the controlling shareholder and/or actual controller.

The Overseas Listing Trial Measures also provide that if the issuer meets both the following conditions, the overseas securities offering and listing conducted by such issuer will be determined as indirect overseas offering, which shall subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main places of business are located in mainland China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in Mainland China. Where an abovementioned issuer submits an application for an initial public offering to

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competent overseas regulators, such issuer shall file with the CSRC within three business days after such application is submitted. Where a domestic company fails to fulfill filing procedure or in violation of the provisions as stipulated above, in respect of its overseas offering and listing, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine ranging from RMB1,000,000 to RMB10,000,000. Also the directly liable persons and actual controllers of the domestic company that organize or instruct the aforementioned violations shall be warned and/or imposed fines.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that (1) the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as “legacy enterprises” (存量企業). Legacy enterprises are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (2) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained an approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; (3) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as pass of hearing for listing in Hong Kong or the effectiveness of registration statement for listing in the U.S.), but have not completed the indirect overseas listing; if such domestic companies complete their overseas offering and listing within such six-month period (i.e., on or prior to September 30, 2023), they will be deemed as legacy enterprises. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as being required to go through a new hearing procedure with the Stock Exchange), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC before completion of the overseas offering and listing; and (4) the CSRC will consult with relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Provision on Confidentiality”), which will be effective on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses documents and materials involving state secrets and working secrets of state organs (“relevant documents and materials”) to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses relevant documents and materials through its overseas listing

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subjects, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall complete the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and out-of-country transfers shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Regulations Relating to Employment and Social Welfare

The Labor Law of the PRC (Reversion 2018) (《中華人民共和國勞動法》(2018修正)) and The Labor Contract Law of the PRC (Reversion 2012) (《中華人民共和國勞動合同法》(2012修正)) (the “**Labor Contract Law**”) require that employers must execute written employment contracts with employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. Violations of the PRC Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative sanctions, and serious violations may result in criminal liabilities.

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decision of the State Council on the Improvement of the Unified Program for Basic Old-Aged Pension Insurance (《國務院關於完善企業職工基本養老保險制度的決定》) issued on December 3, 2005, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, The Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》), which was promulgated by the State Council in 1999 and subsequently amended in March 2002 and March 2019, enterprises must register at the competent managing center for housing funds and complete procedures for opening an account at the relevant bank for the deposit of employees’ housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

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Regulations Relating to Tax

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (Amended in 2018) (《中華人民共和國企業所得稅法》(2018修正)) (the “EIT Law”) and the Regulations for the Implementation of the Law on Enterprise Income Tax(《中華人民共和國企業所得稅法實施條例》), which came into effect on January 1, 2008 and was amended on April 23, 2019, both resident enterprises and non-resident enterprises are subject to tax in the PRC. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within the PRC. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applied. However, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10% for their income sourced from inside China.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (the “SAT Circular 82”) (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) was promulgated by the SAT on April 22, 2009 and amended on December 29, 2017. According to SAT Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (a) the primary location of the day-to-day operational management is in China; (b) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (c) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (d) 50% or more of voting board members or senior executives habitually reside in China.

SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Public Notice 7, on February 3, 2015, which was subsequently amended in December 2017. The SAT Public Notice 7 replaced or supplemented certain previous rules under the Circular on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or SAT Circular 698. Issued on October 17, 2017 and amended on June 15, 2018 subsequently, the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Public Notice 37, totally repealed SAT Circular 698 and the second paragraph of Section 8 of SAT Public Notice 7. Under SAT Public Notice 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct

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transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to SAT Public Notice 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. According to SAT Public Notice 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the relevant gain is to be regarded as effectively connected with the PRC establishment and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of SAT Public Notice 37 and SAT Public Notice 7. If SAT Public Notice 37 and SAT Public Notice 7 were determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with SAT Public Notice 37 and SAT Public Notice 7 or to establish that the relevant transactions should not be taxed under SAT Public Notice 37 and SAT Public Notice 7.

Under applicable PRC laws, payers of PRC-sourced income to non-PRC residents are generally obligated to withhold PRC income taxes from the payment. In the event of a failure to withhold, the non-PRC residents are required to pay such taxes on their own. Failure to comply with the tax payment obligations by the non-PRC residents will result in penalties, including full payment of taxes owed, fines and default interest on those taxes.

Dividend Withholding Tax

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which became effective on August 21, 2006 and is amended from time to time, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong resident enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (the “**Circular 81**”) issued on February 20, 2009, a Hong

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Kong resident enterprise who is the beneficial owner of the dividend must meet the following conditions, among others, in order to enjoy the reduced withholding tax rate (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. Pursuant to the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) (the “**Announcement 9**”), which was issued on February 3, 2018 by the SAT and became effective on April 1, 2018, a resident of the treaty counterparty which is a listed company in the treaty counterparty may be determined as a “beneficial owner” without conducting a comprehensive analysis based on the factors provided in this Announcement.

There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. In October 2019, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers Enjoying Treaties Benefits (《非居民納稅人享受協定待遇管理辦法》) (the “**Announcement 35**”), which became effective on January 1, 2020. Announcement 35 provides that non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of “self-assessment, claiming benefits, retention of the relevant materials for future inspection”. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities.

Value-Added Tax (VAT)

Pursuant to the Provisional Regulations of the People’s Republic of China on Value-added Tax (Revision 2017) (《中華人民共和國增值稅暫行條例》(2017年修訂)) promulgated by the State Council on December 13, 1993, which were subsequently amended on November 10, 2008, February 6, 2016 and November 19, 2017, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT levy rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), or the Notice, was promulgated on April 4, 2018 and came into effect on May 1, 2018. According to the Notice, where a taxpayer engages in a taxable sales activity for VAT purposes or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively. On March 20, 2019, the Ministry of Finance, State Taxation Administration and General Administration of Customs jointly promulgated the Relevant Policies Notice on Deepening Reform of VAT Tax (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), or Notice 39, which became effective on April 1, 2019, further changes the VAT tax rates of 16% and 10% under the Notice to 13% and 9%, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Our history can be traced back to May 2015 when our co-founders, namely Mr. WU Xubo and Ms. WU Xuan, established Jiangxi Tanwan to start publishing massively multiplayer online roleplaying games (“MMORPG”) for game developers under the brand of “Tan Wan”. Leveraging our experience accumulated over years in providing marketing and in-depth operation of game products, we have established a loyal end-user base, which, in turn, lays the foundation of our consumer product business. Since our inception, we have marketed and operated over 310 game products. We are a leading publisher of online game products in China and the fifth largest company for publishing mobile game products in terms of revenue in China in 2022, according to Frost & Sullivan. Leveraging our digital marketing, in-depth operation and brand development capabilities, we have successfully incubated home brands and content in new consumption scenarios, including instant food brand “Zha Zha Hui” (渣渣灰) and pop toy brand “Bro Kooli.” For further details of our business, see “Business — Our Online Game Publishing Business and Other Marketing Business” and “Business — Consumer Product Business”.

KEY BUSINESS MILESTONES

2015 We established Jiangxi Tanwan to start publishing MMORPG for game developers through our proprietary technologies and data processing capabilities.

2016 We started providing full lifecycle game product operation enhancement to our clients.

2018 We launched Legend of Guyun (古雲傳奇), an MMORPG game, featuring unique game gears and innovative gameplay which allows players to play three different roles.

2020 We launched Legend of Origin (原始傳奇), an MMORPG game featuring attractive realistic scenes and magical arrays.

We launched our instant food brand “Zha Zha Hui (渣渣灰)” in late 2020, which has become one of the fastest growing brands in the instant food industry in terms of GMV, according to Frost & Sullivan.

2021 We launched Blooded Attack (熱血合擊), an MMORPG game, focusing on the combined gameplay.

Building on our core technology capabilities accumulated over the years, we upgraded and re-branded our proprietary technology platforms to “Hetu system” and “Luoshu system”. For further details, see “Business — Our Technology Capabilities”.

We launched Bro Kooli, our self-developed trendy pop toy with a broccoli-like head.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- 2022 For the year ended December 31, 2022, we achieved an average MAU of over 10.0 million for the game products we marketed and operated.
- 2023 As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users.

For further details of our awards and recognitions, see “Business — Awards and Recognition”.

MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES

Our Major PRC Operating Entities

Below are the major PRC Operating Entities that made a material contribution to our results of operations during the Track Record Period:

<u>Company</u>	<u>Principal business activities</u>	<u>Date of establishment and commencement of business</u>	<u>Place of establishment</u>
Jiangxi Tanwan	Online game operation	May 21, 2015	PRC
Guangzhou Tanwan	Online game operation	July 28, 2017	PRC

(i) *Jiangxi Tanwan*

Jiangxi Tanwan, a PRC Operating Entity, was established in the PRC in May 2015 with an initial registered capital of RMB10 million. Upon establishment, Jiangxi Tanwan was ultimately controlled by our co-founders, namely Mr. WU Xubo and Ms. WU Xuan, as to 97.0% and 3.0%, respectively, through their respective family member and a founding employee of Jiangxi Tanwan as nominees on trust, as Mr. WU Xubo and Ms. WU Xuan wanted to focus on the strategic development of Jiangxi Tanwan at the early stage of its business development and therefore involved such nominees to handle corporate secretarial duties such as document execution and corporate registration filing in their capacity as registered holders of equity interest in Jiangxi Tanwan. Shangrao Hongbang was established by Mr. WU Xubo on June 27, 2017 as his shareholding platform in Jiangxi Tanwan, the initial general partner of which was a family member of Mr. WU Xubo as his nominee on trust for the aforementioned reasons. Such nominees were not involved in any day-to-day operation in Jiangxi Tanwan. After a series of equity interest transfers, Mr. WU Xubo and Ms. WU Xuan ultimately terminated their respective nominee arrangements on September 30, 2020 and May 5, 2017, respectively, and held their respective interests in Jiangxi Tanwan directly and through their respective shareholding platforms where they served as the general partner, respectively, in order to explore capital market financing opportunities.

Since establishment, Jiangxi Tanwan (i) granted several rounds of share awards at nominal values to incentivize and retain our key employees; (ii) transferred shares awards among our key

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employees at nominal values to better achieve the purpose of providing key employees with rewards for their contributions to our Group; (iii) granted share awards to two key business partners, namely Ms. CHEN Wei and Mr. QU Jiajia, who are our independent third parties, in September 2017 and October 2017, respectively, at nominal value in recognition of their contributions in building up and maintaining client relationship network at the early stage of our business development; and (iv) received a pre-[REDACTED] investment from Shanghai Tianyou in May 2021. Since establishment and up to the Latest Practicable Date, Mr. WU Xubo, our co-founder, executive Director, chief executive officer and chairman of the Board, remained as the largest equity owner and actual controller of Jiangxi Tanwan.

The table below sets forth the voting right structures of Jiangxi Tanwan since January 1, 2021 and up to the Latest Practicable Date:

Name	As of January 1, 2021	As of December 31, 2021	As of the Latest Practicable Date ⁽⁹⁾
<i>Directors, senior management and other key employees⁽¹⁾</i>			
Mr. WU Xubo ⁽²⁾	53.85%	51.85%	51.85%
Ms. WU Xuan and certain key employees through Shangrao Qichuang ⁽³⁾	14.65%	14.65%	14.65%
Mr. LUO Xihu and certain key employees through Shangrao Hechuang ⁽⁴⁾	9.5%	9.5%	9.5%
Mr. CHEN Yang and certain key employees through Shangrao Hezhong ⁽⁵⁾	10.5%	9.5%	9.5%
Mr. ZHANG Tong ⁽⁶⁾	1.5%	1.5%	1.5%
<i>Business Partners⁽⁷⁾</i>			
Ms. CHEN Wei	5.0%	4.5%	4.5%
Mr. QU Jiajia	5.0%	3.5%	3.5%
<i>Pre-[REDACTED] Investor</i>			
Shanghai Tianyou ⁽⁸⁾	Nil	5.0%	5.0%
Total:	100.0%	100.0%	100.0%

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Notes:

- (1) Save for Mr. WU Xubo, Ms. WU Xuan, Mr. LUO Xihu and Mr. DONG Wencong (a cousin of Mr. WU Xubo and a limited partner of each of Shangrao Qichuang and Shangrao Hezhong), none of these key employees is our Director, senior management, connected persons or their respective close associates. Save for Mr. CHEN Yang, the general partner of Shangrao Hezhong, none of these key employees held more than 5.0% voting rights in Jiangxi Tanwan throughout the Track Record Period and up to the Latest Practicable Date.
- (2) Mr. WU Xubo held his 6.3526% voting rights in Jiangxi Tanwan directly, and his other voting rights through Shangrao Hongbang where he served as the general partner, and Ms. WU Xuan as the limited partner.
- (3) Ms. WU Xuan held her 3.0% voting rights in Jiangxi Tanwan directly, and her 11.6474% voting rights through Shangrao Qichuang where she served as the general partner, and certain key employees of our Group as limited partners.
- (4) Mr. LUO Xihu held his 1.5% voting rights in Jiangxi Tanwan directly, and his 8.0% voting rights through Shangrao Hechuang where he served as the general partner, and certain key employees of our Group as limited partners.
- (5) Mr. CHEN Yang is the head of technical support (技術部負責人) of ZX WFOE, responsible for maintaining and upgrading the Group’s Hetu and Luoshu technology platforms through cooperation with the data department and providing the relevant technical supporting, and holds his voting rights in Jiangxi Tanwan through Shangrao Hezhong where he served as the general partner, and certain other key employees of our Group as limited partners.
- (6) Mr. ZHANG Tong is the head of mobile game business (手游商務負責人) in Jiangxi Tanwan, responsible for the negotiation and execution of certain mobile game projects, and holds his voting rights in Jiangxi Tanwan directly.
- (7) Mr. QU Jiajia is experienced in product operation and marketing in TMT sector. He became acquainted with Mr. WU Xubo through business and social events and then introduced Ms. CHEN Wei, who has strong social connection with certain game developers, to Mr. WU Xubo. Through Mr. QU Jiajia and Ms. CHEN Wei, Jiangxi Tanwan gained access to a game developer, and seized business opportunities to cooperate with it in operating two online games, which made significant contribution to the revenue growth of the Group in its infancy and the Group’s subsequent expansion. Other than the shareholding in the Group, Mr. QU Jiajia and Ms. CHEN Wei are independent from our Group.
- (8) Shanghai Tianyou is our Pre-[REDACTED] Investor. See “— Pre-[REDACTED] Investment” in this section for further details.
- (9) On November 22, 2022, ZX WFOE has acquired effective control over the PRC Operating Entities by entering into Contractual Arrangements with Jiangxi Tanwan and its Registered Shareholders.

(ii) Guangzhou Tanwan

Guangzhou Tanwan, a PRC Operating Entity, was established in the PRC in July 2017 by Jiangxi Tanwan with an initial registered capital of RMB1.0 million. On June 29, 2020, Jiangxi Tanwan transferred 1.0% equity interests in Guangzhou Tanwan to Mr. LI Yiming, a director and the general manager of Guangzhou Tanwan, at the consideration of RMB10,000, which was determined with reference to the registered capital of Guangzhou Tanwan. As of the Latest Practicable Date, Guangzhou Tanwan was held by Jiangxi Tanwan and Mr. LI Yiming as to 99.0% and 1.0%, respectively.

The particulars of our subsidiaries and PRC Operating Entities are set out in Note 1 to the Accountants’ Report in Appendix I to this document. Please also refer to the paragraph headed “— Corporate Structure” in this section for our corporate structure.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE REORGANIZATION

In preparation for the [REDACTED], we underwent the following reorganization steps. Upon completion, we conduct our online games operation business through our PRC Operating Entities under the Contractual Arrangements, and our other business not subject to foreign investment restriction or prohibition through our subsidiaries.

Establishment of Offshore Holding Structure and ZX WFOE

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 18, 2021 with an initial authorized share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.0 each. At the time of incorporation, our Company issued one Share to an independent third party for US\$1.0, which was subsequently transferred to WXB BVI 1 (a BVI business company wholly-owned by Mr. WU Xubo) for US\$1.0.

ZX BVI was incorporated in the BVI as an investment holding company on March 30, 2021, and is wholly-owned by our Company.

ZX HK was incorporated in Hong Kong as an investment holding company on April 16, 2021, and is wholly-owned by ZX BVI.

ZX WFOE was established in the PRC as a wholly foreign owned enterprise on May 26, 2021, and is wholly-owned by ZX HK.

On January 4, 2022, WXB BVI 2 was incorporated in the BVI and wholly-owned by WXB BVI 1. On June 30, 2022, WXB BVI 1 swapped one Share in our Company to WXB BVI 2 in consideration of WXB BVI 2 allotting and issuing one share to WXB BVI 1. WxLand Trust was established by Mr. WU Xubo as the settlor and TMF (Cayman) Ltd. as the trustee on September 22, 2022 to acquire 50% interests in WXB BVI 2 through WXB Holdco. WxLand Trust is a discretionary trust and its beneficiaries are Mr. WU Xubo and WXB BVI 1. Under the trust deed of WxLand Trust, Mr. WU Xubo in his capacity as investment decision-maker of WxLand Trust shall have sole power to make decisions relating to the exercise of the voting rights in the shareholders' meeting of WXB BVI 2 through WXB Holdco. As of the Latest Practicable Date, WXB BVI 2 was owned as to 50.0% by WXB BVI 1 and as to 50.0% by WXB Holdco, respectively.

On November 3, 2022, we subdivided our share capital of US\$50,000 in 50,000 ordinary shares of US\$1.0 into 2,500,000,000 ordinary shares of US\$0.00002 each.

Offshore Shareholding Restructuring

To reflect the existing equity holders' interests in Jiangxi Tanwan and to adopt the Pre-[REDACTED] Share Option Plan, on November 22, 2022, our Company allotted and issued an aggregate of 515,413,918 Shares to the equity interest holders of Jiangxi Tanwan and the shareholding

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platforms of the Pre-[REDACTED] Share Option Plan. Upon completion, the shareholding structure of our Company was as follows:

<u>Name</u>	<u>Number of Shares allotted</u>	<u>Consideration for the allotments</u>	<u>Shareholding in our Company after the allotment</u>
<i>Directors and other key employees</i>			
Mr. WU Xubo ⁽¹⁾	264,263,000	US\$5,285.26	51.2670%
Ms. WU Xuan ⁽²⁾	38,487,000	US\$769.74	7.4665%
Mr. LUO Xihu ⁽³⁾	25,000,000	US\$500.00	4.8500%
Other key employees ⁽⁴⁾	105,250,000	US\$2,105.00	20.4185%
<i>Business Partners⁽⁵⁾</i>			
Ms. CHEN Wei	22,500,000	US\$450.00	4.3650%
Mr. QU Jiajia	17,500,000	US\$350.00	3.3950%
<i>Pre-[REDACTED] Investor</i>			
DUOXIAN INTERNATIONAL LIMITED ⁽⁶⁾	25,000,000	US\$500.00	4.8500%
<i>Pre-[REDACTED] ESOP Platforms</i>			
ESOP BVIs ⁽⁷⁾	17,463,918	US\$349.28	3.3880%
Total:	<u>515,463,918</u>	<u>US\$10,309.28</u>	<u>100.00%</u>

Notes:

- Mr. WU Xubo held his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively.
- Ms. WU Xuan held her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly-owned by WxZela Trust, a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited (“Trident”).
- Mr. LUO Xihu held his Shares through W.xH International Ltd, which is wholly-owned by Xihuluo Limited. Xihuluo Limited is wholly-owned by LXF Trust, a discretionary trust established by Mr. LUO Xihu (as settlor) for the benefit of W.xH Holding Limited, a BVI company wholly-owned by Mr. LUO Xihu, and is managed by Trident.

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- Save for Mr. DONG Wencong (a cousin of Mr. WU Xubo), who held his 3,450,000 Shares through WxIce Holding Limited, a BVI company wholly-owned by him, none of these key employees is our Director, senior management, connected persons or their respective close associates. None of these key employees held more than 5.0% of our total issued Shares throughout the Track Record Period and up to the Latest Practicable Date.
- Ms. CHEN Wei (陳煒) held her 22,500,000 Shares through WxWarrior Holding Limited (a BVI company wholly-owned by Ms. CHEN Wei). Mr. QU Jiajia (曲嘉佳) held his 17,500,000 Shares through WxWizard Holding Limited (a BVI company wholly-owned by Mr. QU Jiajia).
- DUOXIAN INTERNATIONAL LIMITED, a wholly-owned subsidiary of BEIHONG (HK) Limited, which is in turn wholly-owned by Beijing Duoxian Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Tianyou. See “— Pre-[REDACTED] Investment” in this section for further details.
- See “— Corporate Reorganization — Allotment of Shares for the Pre-[REDACTED] Share Option Plan” in this section for further details.

Onshore Corporate Restructuring

We underwent the following onshore corporate restructuring steps in preparation for the [REDACTED]:

(i) *Transfer of Hong Kong subsidiaries to ZX HK*

<u>Name of company</u>	<u>Principal Business Activities</u>	<u>Details of the Restructuring</u>
HK Tanwan	Overseas online game operation	<p>Prior to the restructuring, HK Tanwan was wholly-owned by Jiangxi Tanwan.</p> <p>On October 29, 2021, Jiangxi Tanwan transferred its 100.0% equity interests in HK Tanwan to ZX HK for RMB1.0, the consideration of which was determined at a nominal consideration as there was no change in shareholding interests resulting from such internal transfer, and had been fully settled as of the Latest Practicable Date.</p>
HK 9 Ring	Overseas online game operation	<p>Prior to the restructuring, HK 9 Ring was wholly-owned by Guangzhou Feifan, which was owned as to 51.0% by Jiangxi Tanwan, 44.0020% by an independent third party, and 4.9980% by Mr. HE Yin (何寅), a supervisor of Guangzhou Tanwan, respectively.</p> <p>On September 13, 2021, Guangzhou Feifan transferred its 51.0% equity interests in HK 9 Ring to ZX HK for RMB1.0, and its 49.0% interests in HK 9 Ring to Guangzhou Happy Time Information Technology Company Limited, which</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Name of company</u>	<u>Principal Business Activities</u>	<u>Details of the Restructuring</u>
		is owned as to 10.1991% by Mr. HE Yin, and 89.8009% by the independent third party, for RMB1.0. These considerations were determined at a nominal consideration as there was no change in shareholding resulting from these internal transfers, and had been fully settled as of the Latest Practicable Date.

(ii) Disposal of certain PRC subsidiaries

To streamline our corporate structure, we disposed of the following dormant subsidiaries and subsidiaries which were not related to our core business:

<u>Name of company</u>	<u>Details of the Disposal</u>	<u>Reasons for Disposal</u>
Guangzhou Jiahuang Network Technology Co., Ltd. (“ Guangzhou Jiahuang ”)	<p>Prior to the disposal, Guangzhou Jiahuang was owned as to 51.0% by Jiangxi Tanwan.</p> <p>On August 31, 2021, Jiangxi Tanwan transferred its 51.0% interests in Guangzhou Jiahuang to independent third parties at an aggregate consideration of RMB510,000, which was determined based on the paid-up registered share capital of Guangzhou Jiahuang. Guangzhou Jiahuang has ceased to be our subsidiary since then.</p>	Guangzhou Jiahuang was set up on January 12, 2018 for the purpose of online game operation. Due to internal restructuring, we have ceased to engage in online game operation business through Guangzhou Jiahuang.
Hainan Xuanhong Network Technology Co., Ltd. (“ Hainan Xuanhong ”)	<p>Prior to the disposal, Hainan Xuanhong was wholly-owned by Jiangxi Tanwan.</p> <p>On March 18, 2022, Jiangxi Tanwan transferred its 100.0% interests in Hainan Xuanhong to independent third parties at nil consideration, which was determined based on the paid-up registered capital of Hainan Xuanhong. Hainan Xuanhong has ceased to be our subsidiary since then.</p>	Hainan Xuanhong was set up on April 9, 2020 for the purpose of engaging in online game operation. Hainan Xuanhong had not carried out any substantial business or generated any revenue or profit since its establishment and up to the date of disposal.

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<u>Name of company</u>	<u>Details of the Disposal</u>	<u>Reasons for Disposal</u>
Hainan Zhongxu Shuke Information Technology Co., Ltd. (“ Hainan ZX ”)	<p>Prior to the disposal, Hainan ZX was wholly-owned by Guangzhou Zhongxu, a wholly-owned subsidiary of Jiangxi Tanwan.</p> <p>On March 18, 2022, Guangzhou Zhongxu transferred its interests in Hainan ZX to independent third parties at nil consideration, which was determined based on the paid-up registered capital of Hainan ZX. Hainan ZX has ceased to be our subsidiary since then.</p>	<p>Hainan ZX was set up on September 17, 2021 for the purpose of engaging in online game operation. Hainan ZX had not carried out any substantial business or generated any revenue or profit since its establishment and up to the date of disposal.</p>
Shangrao Zhangshang Network Technology Co., Ltd. (“ Shangrao Zhangshang ”)	<p>Prior to the disposal, Shangrao Zhangshang was wholly-owned by Hainan Zhangwan, a subsidiary of Jiangxi Tanwan.</p> <p>On October 21, 2022, Hainan Zhangwan transferred its 100.0% interests in Shangrao Zhangshang to independent third parties at nil consideration, which was determined based on the paid-up registered capital of Shangrao Zhangshang. Shangrao Zhangshang has ceased to be our subsidiary since then.</p>	<p>Shangrao Zhangshang was set up on March 18, 2022 for the purpose of engaging in online game operation. Shangrao Zhangshang had not carried out any substantial business or generated any revenue or profit since its establishment and up to the date of disposal.</p>
Hangzhou Zhazhahui Network Technology Co., Ltd. (“ Hangzhou Zhazhahui ”)	<p>Prior to the disposal, Hangzhou Zhazhahui was wholly-owned by Jiangxi Tanwan.</p> <p>On April 18, 2021, Jiangxi Tanwan transferred its interests in Hangzhou Zhazhahui to independent third parties at a consideration of RMB1.0, which was determined based on the paid-up registered capital of Hangzhou Zhazhahui. Hangzhou Zhazhahui has ceased to be our subsidiary since then.</p>	<p>Hangzhou Zhazhahui was set up on December 15, 2020 to explore and research the instant food manufacturing business opportunity in Hangzhou. Having considered the time and costs involved in developing an instant food manufacturing business, and the existing industry landscape of the instant food manufacturing industry, the Company’s management, based on the research conducted by Hangzhou Zhazhahui, decided that it would be in the best interests of the Company and its shareholders to focus on marketing and sale of instant foods</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Name of company</u>	<u>Details of the Disposal</u>	<u>Reasons for Disposal</u>
Jiangxi Fanwan Network Technology Co., Ltd. (“ Jiangxi Fanwan ”)	<p>Prior to the disposal, Jiangxi Fanwan was wholly-owned by Jiangxi Tanwan.</p> <p>On March 8, 2021, Jiangxi Tanwan transferred its interests in Jiangxi Fanwan to independent third parties at a consideration of RMB1.0, which was determined based on the paid-up registered capital of Jiangxi Fanwan. Jiangxi Fanwan has ceased to be our subsidiary since then.</p>	<p>sourced from third parties, rather than manufacturing instant foods by itself. Therefore, the Company decided to dispose of Hangzhou Zhazhahui to independent third parties in April 2021. During the period when Hangzhou Zhazhahui was a subsidiary of the Company, it did not carry out any substantial business or generate any revenue.</p> <p>Jiangxi Fanwan was set up on December 11, 2020 to explore and research the instant food manufacturing business opportunity in Jiangxi. Having considered the time and costs involved in developing an instant food manufacturing business, and the existing industry landscape of the instant food manufacturing industry, the Company’s management, based on the research conducted by Jiangxi Fanwan, decided that it would be in the best interests of the Company and its shareholders to focus on marketing and sale of instant foods sourced from third parties, rather than manufacturing instant foods by itself. Therefore, the Company decided to dispose of Jiangxi Fanwan to independent third parties in March 2021. During the period when Jiangxi Fanwan was a subsidiary of the Company, it did not carry out any substantial business or generate any revenue.</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(iii) Acquisitions of Certain PRC Entities during the Track Record Period

To further expand our game publishing business and other marketing business, Jiangxi Tanwan acquired the following companies during the Track Record Period:

<u>Name of company</u>	<u>Details of the acquisition</u>	<u>Principal business of the target company and reasons for the acquisition</u>
Guangzhou Bajiyou	On June 16, 2021, Jiangxi Tanwan acquired 51.0% equity interests of Guangzhou Bajiyou from an independent third party at nil consideration, with reference to the then paid-up registered capital of Guangzhou Bajiyou.	Guangzhou Bajiyou is primarily engaged in online game operation and has extensive experience in operating games. The Group acquired 51.0% of Guangzhou Bajiyou with a view to acquire their sophisticated and experienced game operation team.
Hainan Zhangwan	<p>Prior to the acquisition, Hainan Zhangwan was owned as to 18.4% by Mr. DONG Wenbin, a cousin of Mr. WU Xubo and 81.6% by an independent third party.</p> <p>On March 19, 2021, Jiangxi Tanwan conducted capital injection of RMB10 million in Hainan Zhangwan, subscribing for 51.0% equity interests of Hainan Zhangwan, the consideration of which was determined after arm’s length negotiation having regarded the working capital requirement and business development need of Hainan Zhangwan. The capital injection was settled on April 29, 2021.</p>	Hainan Zhangwan is primarily engaged in online game operation and has extensive experience in operating games. The Group acquired 51.0% of Hainan Zhangwan with a view to acquire their sophisticated and experienced game operation team.
Guangzhou Feifan	<p>Prior to the acquisition, Guangzhou Feifan was owned as to 10.2% by Mr. HE Yin (何寅), a supervisor of Guangzhou Tanwan, and 89.8% by independent third parties.</p> <p>On November 12, 2020, Jiangxi Tanwan conducted capital injection in Guangzhou Feifan, subscribing for 51.0% equity interests of</p>	Guangzhou Feifan was established with the intention to develop a team in Guangzhou to engage in overseas online game operation. The Group acquired 51.0% of Guangzhou Feifan with the view to extend the Group’s overseas online game operation business to Guangzhou.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Name of company</u>	<u>Details of the acquisition</u>	<u>Principal business of the target company and reasons for the acquisition</u>
	Guangzhou Feifan. The consideration of RMB40 million was determined after arm’s length negotiation having regarded the working capital requirement and business development need of Guangzhou Feifan. The paid-in capital from Jiangxi Tanwan was settled on October 19, 2021.	
Guangzhou Chichi	On September 10, 2021, ZX WFOE acquired 100.0% equity interests of Guangzhou Chichi, a company engaged in sale of instant food products, from independent third parties at an aggregate consideration of RMB26 million, which was determined with reference to a valuation report issued by an independent valuer. The consideration was fully settled on September 28, 2021.	Guangzhou Chichi engaged in sale of instant food products and the Group acquired Guangzhou Chichi to further develop our home brands and content, especially “Zha Zha Hui”

None of the aforementioned acquisitions during the Track Record Period could be classified as a major transaction or a very substantial acquisition under Chapter 14 of the Listing Rules as of the Latest Practicable Date.

(iv) Entering into the Contractual Arrangements

Due to foreign investment restrictions and prohibitions in the PRC, we entered into the Contractual Arrangements whereby ZX WFOE has acquired effective control over our PRC Operating Entities. Accordingly, our Company is able to enjoy the economic benefits of the PRC Operating Entities and consolidate the PRC Operating Entities as the subsidiaries of our Company. See “Contractual Arrangements” for further details.

Allotment of Shares for the Pre-[REDACTED] Share Option Plan

On November 22, 2022, our Company allotted and issued 15,463,918, 1,500,000 and 500,000 new Shares, representing approximately 3.00%, 0.29% and 0.10% of the total issued Shares, at par value to GLORIOUS TYCOON LIMITED (亨愉有限公司) (a BVI company wholly-owned by CMB Wing Lung (Trustee) Limited (the “ESOP Trustee”)), WxScarlett Ventures Limited (a BVI company wholly-owned by the ESOP Trustee) and WxDR Ventures Limited (a

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

BVI company wholly-owned by the ESOP Trustee), respectively, at considerations of approximately US\$309.28, US\$30.0 and US\$10.0, respectively, which were determined based on the par value of our Shares. GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited hold such Shares on trust for the Pre-[REDACTED] Share Option Plan. The ESOP Trustee will not exercise any voting rights attached to such Shares. See “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document for further details.

PRE-[REDACTED] INVESTMENT

Overview

On May 6, 2021, Shanghai Tianyou (a wholly-owned subsidiary of Century Huatong) acquired 5.0% of the equity interests in Jiangxi Tanwan from existing shareholders of Jiangxi Tanwan at an aggregate consideration of RMB500 million. As part of the Reorganization to mirror the interests of Shanghai Tianyou in Jiangxi Tanwan and our Company, on November 22, 2022, DUOXIAN INTERNATIONAL LIMITED (a wholly-owned subsidiary of BEIHONG (HK) Limited, which is in turn wholly-owned by Beijing Duoxian Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Tianyou) subscribed 25,000,000 new Shares of our Company at a nominal value of US\$500.0.

Principal terms of the Pre-[REDACTED] Investment

	<u>Shanghai Tianyou</u>
Date of relevant agreement	May 6, 2021
Total considerations paid	RMB500 million
Total number of Shares under the Pre-[REDACTED] Investment	25,000,000 Shares
Original issue price per Share	RMB20.0
Post valuation of our Group at the time of the Pre-[REDACTED] Investment on May 6, 2021 ⁽¹⁾	RMB10 billion
Premium to the [REDACTED] ⁽²⁾	Approximately [REDACTED]%
Basis of consideration	The considerations were determined after arm’s length negotiations between the parties with reference to the timing of the investments and the status of our business and operating entities.
Settlement date of consideration	May 21, 2021
Lock-up period	The Pre-[REDACTED] Investor is not subject to any lock-up arrangement after the [REDACTED] under the terms of the Pre-[REDACTED] Investment.

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Shanghai Tianyou

Special rights

No special rights were granted to the Pre-[REDACTED] Investor.

Use of proceeds

The Group did not receive any proceeds from this pre-[REDACTED] investment as the Pre-[REDACTED] Investor acquired equity interests from existing shareholders of Jiangxi Tanwan and did not subscribe any new equity interests in Jiangxi Tanwan.

Notes:

1. The valuation is calculated based on the proposed post-money capitalization of our Company at the time of investment.
2. Assuming the [REDACTED] is fixed at HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range, the [REDACTED] is lower than the original issue price per Share of the Pre-[REDACTED] Investment.

Public float

The Pre-[REDACTED] Investor is not our core connected person (as defined in the Listing Rules) and is not accustomed to taking instructions from our core connected persons in relation to the acquisition, disposal, voting or other disposition of our Shares held or to be allotted to them. Therefore, the Shares held by the Pre-[REDACTED] Investor will count towards our public float upon [REDACTED].

Information about the Pre-[REDACTED] Investor and its strategic benefits to our Group

Shanghai Tianyou is a wholly-owned subsidiary of Century Huatong. Century Huatong is a joint stock company established in the PRC and listed on the Shenzhen Stock Exchange (SZSE:002602). Century Huatong is engaged in, among others, the development and distribution of online games, and owns several popular game IPs. At the time of the Pre-[REDACTED] Investment, our Directors were of the view that we could benefit from Century Huatong’s knowledge and experience in the industry.

Competition between the Group and Pre-[REDACTED] Investor

The marketplace for online games in the PRC is vast, containing a wide variety of online games appealing to a diverse range of customer preferences. According to the F&S Report, China’s mobile game market grew rapidly in terms of user spending at a CAGR of 11.0% from RMB158.0 billion in 2018 to RMB240.2 billion in 2022 and is expected to reach RMB343.0 billion in 2027, representing a CAGR of 7.4% from 2022 to 2027. The mobile game market size as a percentage of China’s online game market, has increased from 75.1% in 2018 to 83.3% in 2022 and is expected to further increase to 87.5% in 2027.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Company and the Pre-[REDACTED] Investor, having similar nature of business, are inevitably in competition but there is sufficient room for both companies to successfully operate their respective online games given the scale of the online gaming marketplace in the PRC. The Directors are of the view that the competition between the online game operations of the Group and the Pre-[REDACTED] Investor and its associates is healthy and normal. The competition in the vast PRC online gaming industry does not preclude a minority investment by the Pre-[REDACTED] Investor in the Company.

Notwithstanding the competition between the Company and the Pre-[REDACTED] Investor, the Group is not aware of any infringement of the online games operated by the Group from the Pre-[REDACTED] Investor and its associates. There are robust measures in place to prevent an infringement against the online games operated by the Group from the Pre-[REDACTED] Investor and its associates. For example, the Group from time to time monitors online games developed and distributed by the Pre-[REDACTED] Investor and its associates to ensure there is no infringement against the online games licensed to the Group. The Group will also reach out to the Pre-[REDACTED] Investor for licensing if the Group would like to operate games developed by the Pre-[REDACTED] Investor in the future.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the Pre-[REDACTED] Investment is in compliance with (i) the Guidance Letter HKEx-GL29-12 reproducing the same issued by the Stock Exchange in January 2012 and updated in March 2017; (ii) the Guidance Letter HKEx-G43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

COMPLIANCE WITH PRC LAWS AND REGULATION

Our PRC Legal Adviser has confirmed that companies established in the PRC within our Group as described in this section have been duly established and regulatory filings and registrations in all material aspects in respect of the incorporation and changes of such companies have been obtained in accordance with necessary PRC laws and regulations.

THE RULES ON THE MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS IN THE PRC

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Adviser is of the opinion that prior CSRC approval for the [REDACTED] is not required because (i) ZX WFOE was incorporated as wholly foreign owned enterprise without involving acquisition of the equity or assets of a “PRC domestic company” (as such term is defined under the M&A Rules), which was in compliance with the M&A Rules; and (ii) no provision in the M&A Rules clearly classifies the Contractual Arrangements as a type of transaction subject to the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented in the future and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser. See “Risk Factors — Risks Relating to our Contractual Arrangements” for the relevant risks with respect to our Contractual Arrangements.

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by PRC Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 37”), promulgated by SAFE and became effective on July 4, 2014, (i) a PRC resident must register with the local SAFE branch before he/she contributes assets or equity interests to an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to the SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Circular 13, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

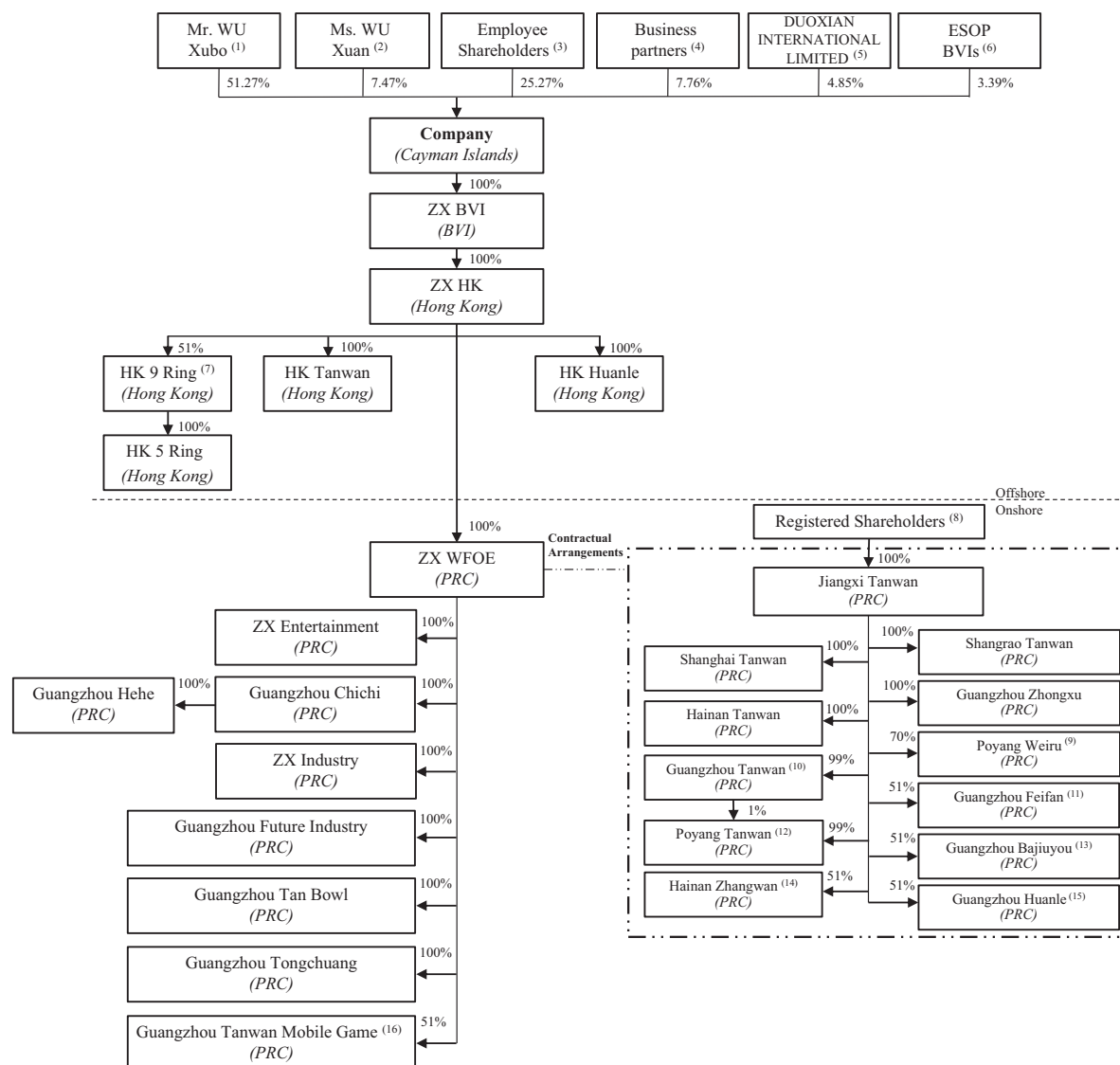
As advised by our PRC Legal Adviser, our individual Shareholders who are PRC residents have completed their registration under the SAFE Circular 37 as of November 14, 2022.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure before the [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Group after the Reorganization and immediately prior to completion of the [REDACTED]:



Notes:

1. Mr. WU Xubo holds his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively.
2. Ms. WU Xuan holds her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly-owned by WxZela Trust, a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited.
3. Employee Shareholders refer to Mr. LUO Xihu, Mr. DONG Wencong (a cousin of Mr. WU Xubo), and other key employees who are not our Directors, senior management members, connected persons or their respective close

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

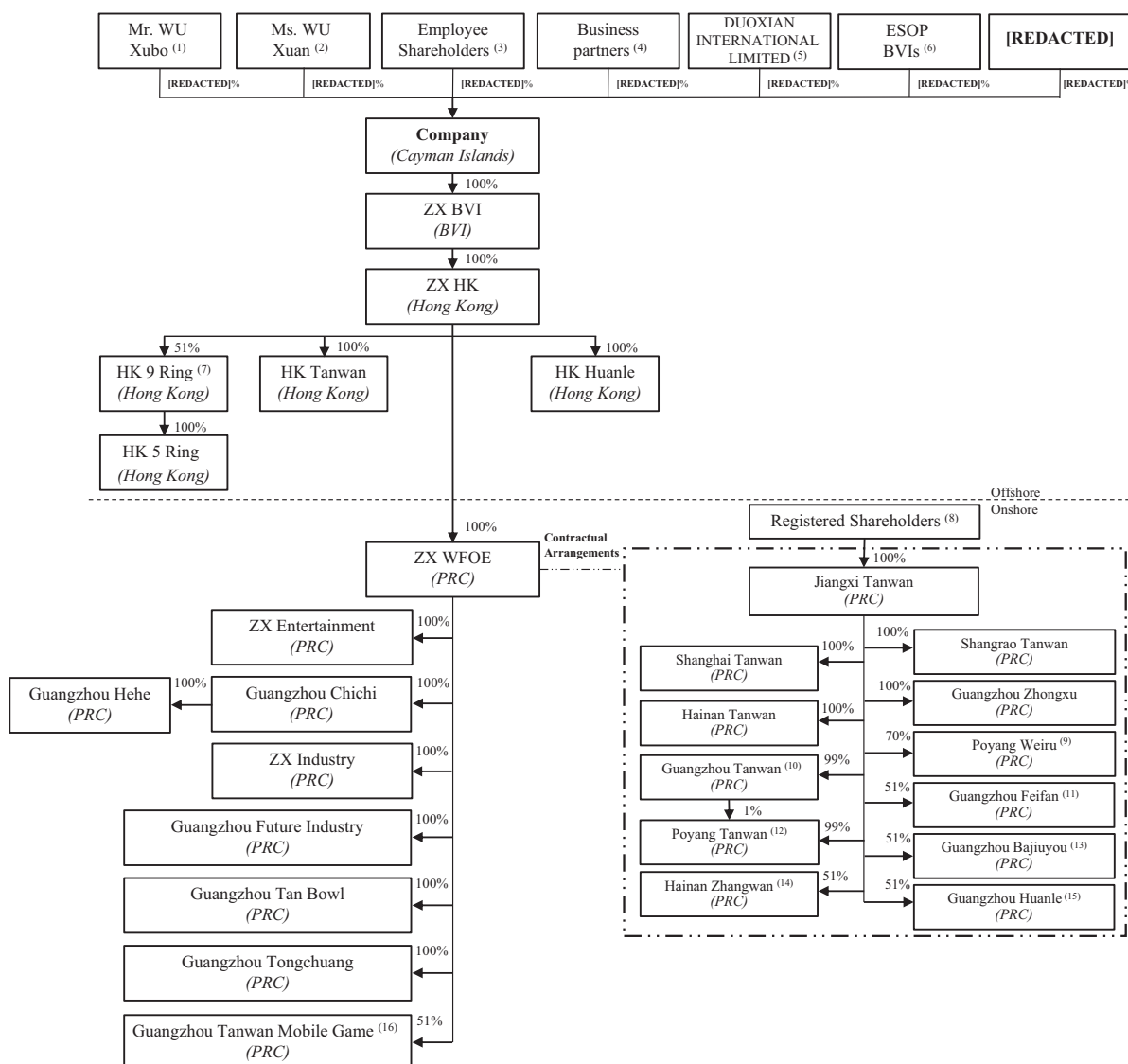
- associates. See “— Corporate Restructuring — Offshore Shareholding Restructuring” in this section for further details.
4. Business partners refer to Ms. CHEN Wei (陳煒) and Mr. QU Jiajia (曲嘉佳). See “— Corporate Restructuring — Offshore Shareholding Restructuring” in this section for further details.
 5. DUOXIAN INTERNATIONAL LIMITED, a wholly-owned subsidiary of BEIHONG (HK) Limited, which is in turn wholly-owned by Beijing Duoxian Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Tianyou. See “— Pre-[REDACTED] Investment” in this section for further details.
 6. ESOP Platforms refer to GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited, which collectively hold the relevant Shares on trust for the Pre-[REDACTED] Share Option Plan, see “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document for further details.
 7. HK 9 Ring is owned as to 51.0% by ZX HK and 49.0% by Guangzhou Happy Time Information Technology Co., Ltd (廣州歡樂時光信息技術有限公司), which is owned as to 79.59% by HE Yin (何寅), a supervisor of Guangzhou Tanwan and 20.41% by WANG Jing (王京), the general manager of Guangzhou Feifan and an independent third party.
 8. Registered Shareholders include Mr. WU Xubo, Ms. WU Xuan, Mr. ZHANG Tong, Mr. LUO Xihu, Ms. CHEN Wei, Mr. QU Jiajia, Shangrao Hongbang, Shangrao Hezhong, Shangrao Qichuang, Shangrao Hechuang and Shanghai Tianyou.
 9. Poyang Weiru is owned as to 70.0% by Jiangxi Tanwan and 30.0% by ZHANG Kun (張坤), the general manager of Poyang Weiru and an independent third party.
 10. Guangzhou Tanwan is owned as to 99.0% by Jiangxi Tanwan and 1.0% by Mr. LI Yiming (李一鳴), a director and the general manager of Guangzhou Tanwan.
 11. Guangzhou Feifan is owned as to 51.0% by Jiangxi Tanwan, 5.0% by Mr. HE Yin (何寅), a supervisor of Guangzhou Tanwan, and 44.0% by WANG Jing (王京), the general manager of Guangzhou Feifan and an independent third party.
 12. Poyang Tanwan is owned as to 99.0% by Jiangxi Tanwan and 1.0% by Guangzhou Tanwan.
 13. Guangzhou Bajiyou is owned as to 51.0% by Jiangxi Tanwan 47.0% by Shangrao Gude Enterprise Management Center (L.P.) (上饒市古德企業管理中心 (有限合夥)), a limited partnership established in the PRC on June 2, 2021 with KE Yawen (柯亞文), an independent third party, being its general partner, 1% by KE Yawen and 1% by DENG Yuancheng (鄧元成), the head of legal affairs of Guangzhou Bajiyou and an independent third party.
 14. Hainan Zhangwan is owned as to 51.0% by Jiangxi Tanwan, 9.0160% by Mr. DONG Wenbin (董文濱), a cousin of Mr. WU Xubo, and 39.9840% by HUANG Jixiong (黃繼雄), the head of business department of Hainan Zhangwan.
 15. Guangzhou Huanle is owned as to 51.0% by Jiangxi Tanwan, 20% by LIN Xin (林欣), an independent third party and 29% by Fuzhou Zizai Entertainment Internet Technology Co., Ltd. (福州自在互娛網絡科技有限公司), a limited company established in the PRC on May 27, 2020 held by Jiangxi Tanwan as to 28%, by LIN Xin as to 49.8% and by LIN Hui (林輝) as to 22.2%.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

16. Guangzhou Tanwan Mobile Game is owned as to 51.0% by ZX WFOE, 39% by HU Zuwei (胡祖偉), the chief executive officer of Guangzhou Tanwan Mobile Game and an independent third party, and 10% by LI Yuhan (李玉哈), the chief operating officer of Guangzhou Tanwan Mobile Game and an independent third party.
17. Our Directors confirm that save as disclosed above, none of the minority shareholders of the Group’s non-wholly owned subsidiaries or PRC Operating Entities have any past or present relationship (business, financing, trust or otherwise), with the Company, including its subsidiaries, shareholders, directors, senior management and their respective associates.

Corporate structure immediately after the [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Group immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

1. Mr. WU Xubo holds his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively.
2. Ms. WU Xuan holds her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly-owned by WxZela Trust, a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited.
3. Employee Shareholders refer to Mr. LUO Xihu, Mr. DONG Wencong (a cousin of Mr. WU Xubo), and other key employees who are not our Directors, senior management members, connected persons or their respective close associates. Except for Mr. LUO Xihu (holding approximately [REDACTED]%) and Mr. DONG Wencong (holding approximately [REDACTED]%), the remaining [REDACTED]% Shares held by the other Employee Shareholders immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) are counted toward the public float. See “— Corporate Restructuring — Offshore Shareholding Restructuring” in this section for further details.
4. Business partners refer to Ms. CHEN Wei (陳煒) and Mr. QU Jiajia (曲嘉佳), each of whom is not a core connected person of the Company. The Shares held by them are counted toward the public float. See “— Corporate Restructuring — Offshore Shareholding Restructuring” in this section for further details.
5. DUOXIAN INTERNATIONAL LIMITED, a wholly-owned subsidiary of BEIHONG (HK) Limited, which is in turn wholly-owned by Beijing Duoxian Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Tianyou. DUOXIAN INTERNATIONAL LIMITED is not a core connected person of the Company and the Shares held by it are counted toward the public float. See “— Pre-[REDACTED] Investment” in this section for further details.
6. ESOP Platforms refer to GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited, which collectively hold the relevant Shares on trust for the Pre-[REDACTED] Share Option Plan, see “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document for further details.
7. HK 9 Ring is owned as to 51.0% by ZX HK and 49.0% by Guangzhou Happy Time Information Technology Co., Ltd (廣州歡樂時光信息技術有限公司), which is owned as to 79.59% by HE Yin (何寅), a supervisor of Guangzhou Tanwan and 20.41% by WANG Jing (王京), the general manager of Guangzhou Feifan and an independent third party.
8. Registered Shareholders include Mr. WU Xubo, Ms. WU Xuan, Mr. ZHANG Tong, Mr. LUO Xihu, Ms. CHEN Wei, Mr. QU Jiajia, Shangrao Hongbang, Shangrao Hezhong, Shangrao Qichuang, Shangrao Hechuang and Shanghai Tianyou.
9. Poyang Weiru is owned as to 70.0% by Jiangxi Tanwan and 30.0% by ZHANG Kun (張坤), the general manager of Poyang Weiru and an independent third party.
10. Guangzhou Tanwan is owned as to 99.0% by Jiangxi Tanwan and 1.0% by Mr. LI Yiming (李一鳴), a director and the general manager of Guangzhou Tanwan.
11. Guangzhou Feifan is owned as to 51.0% by Jiangxi Tanwan, 5.0% by Mr. HE Yin (何寅), a supervisor of Guangzhou Tanwan, and 44.0% by WANG Jing (王京), the general manager of Guangzhou Feifan and an independent third party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

12. Poyang Tanwan is owned as to 99.0% by Jiangxi Tanwan and 1.0% by Guangzhou Tanwan.
13. Guangzhou Bajiuyou is owned as to 51.0% by Jiangxi Tanwan 47.0% by Shangrao Gude Enterprise Management Center (L.P.) (上饒市古德企業管理中心 (有限合夥)), a limited partnership established in the PRC on June 2, 2021 with KE Yawen (柯亞文), an independent third party, being its general partner, 1% by KE Yawen and 1% by DENG Yuancheng (鄧元成), the head of legal affairs of Guangzhou Bajiuyou and an independent third party.
14. Hainan Zhangwan is owned as to 51.0% by Jiangxi Tanwan, 9.0160% by Mr. DONG Wenbin (董文濱), a cousin of Mr. WU Xubo, and 39.9840% by HUANG Jixiong (黃繼雄), the head of business department of Hainan Zhangwan.
15. Guangzhou Huanle is owned as to 51.0% by Jiangxi Tanwan, 20% by LIN Xin (林欣), an independent third party and 29% by Fuzhou Zizai Entertainment Internet Technology Co., Ltd. (福州自在互娛網絡科技有限公司), a limited company established in the PRC on May 27, 2020 held by Jiangxi Tanwan as to 28%, by LIN Xin as to 49.8% and by LIN Hui (林輝) as to 22.2%.
16. Guangzhou Tanwan Mobile Game is owned as to 51.0% by ZX WFOE, 39% by HU Zuwei (胡祖偉), the chief executive officer of Guangzhou Tanwan Mobile Game and an independent third party, and 10% by LI Yuhan (李玉哈), the chief operating officer of Guangzhou Tanwan Mobile Game and an independent third party.
17. Our Directors confirm that save as disclosed above, none of the minority shareholders of the Group’s non-wholly owned subsidiaries or PRC Operating Entities have any past or present relationship (business, financing, trust or otherwise), with the Company, including its subsidiaries, shareholders, directors, senior management and their respective associates.

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OUR BUSINESS MODEL

Who We Are

We are a publisher of online game products in China.

What We Offer

We are devoted to marketing and operating online games (in particular mobile games) in China. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. The top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022. In addition, according to Frost & Sullivan, our “Tan Wan” brand is an online game publishing brand widely accepted by Chinese players.

Since our inception, we have enabled marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023. We maintained an average of five years of business relationships with our five largest game developer clients during the Track Record Period. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. For the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated. During the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. In addition to game products, we also export our core capabilities to enabling marketing of online literature products.

Furthermore, the end-user insights we accumulate allow us to spot other needs of end-users. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand “Zha Zha Hui” (渣渣灰) and pop toy brand “Bro Kooli.” Benefiting from the end-user insights we accumulate, we continuously capture and analyze valuable end-user behavior and performance data. Based on our market analysis on e-commerce and social media platforms, we made a strategic decision to penetrate into the instant food industry. As such, our own brand “Zha Zha Hui” was established in late 2020. “Zha Zha Hui” is designed as an instant food brand with an emphasis on instant prepared rice noodles and primarily targets the instant food-centered pop culture. According to Frost & Sullivan, “Zha Zha Hui” has become one of the fastest growing brands in the instant food industry in terms of GMV. The GMV of China’s instant food industry increased by approximately 4.5% from 2020 to 2021 and 6.1% from 2021 to 2022. Since launch of the Zha Zha Hui brand, GMV generated by this brand increased significantly from RMB2.4 million in 2020 to RMB87.6 million in 2021, and further to RMB315.9 million in 2022. Additionally, we launched Bro Kooli, a self-developed trendy pop toy with a broccoli-like head, to capture the growth in the pop toy market. We have created and attributed characteristic backgrounds for Bro Kooli to establish emotional connections with individual consumers. Our consumer product business have diversified our revenue composition and have facilitated our expansion into offline channels, enabling us to generate larger end-user base and accumulate more end-user insights, which in turn allows us to further optimize our marketing and operation capabilities.

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Why Our Clients Choose Us

Our roots trace back to the beginnings of marketing and operating web-page game products for game developers. Many game developers lack resources, expertise and access to support the marketing and operation of a game product developed by them on their own. In particular, game developers may have limited access to marketing and monetization tools required to operate a successful lifecycle for the game products they develop. Our history provides us with substantial experience that we leverage to attract and retain reputable game developers and identify game products with potential to realize a longer lifecycle. Our expertise in monetization of online games and marketing analytics technologies has enabled us to navigate our clients through the entire life journey of their game products, covering product evaluation, precision marketing, in-depth operation and brand development. Please see “— Our Core Competitive Edges” for a detailed description of our precision marketing, in-depth operation and brand development capabilities. We collaborate with talented game development teams of our clients, providing our expertise, technological resources, customer service, marketing strategy and other services to achieve a better outcome. In addition, compared with advertising agencies and media platforms, which typically serve as a standalone marketing or distribution channel as part of our overall marketing strategy for a particular game product, we have accumulated a set of assets, capabilities and business processes to bring online game products to Chinese players. Please see “— Our Online Game Publishing Business and Other Marketing Business” for a detailed description of our service process. We believe our model is differentiated from competitors, will be challenging to replicate because we have developed our service and technology infrastructure and know-how over our experience with online games, and strengthens our ability to deliver business predictability and sustainability.

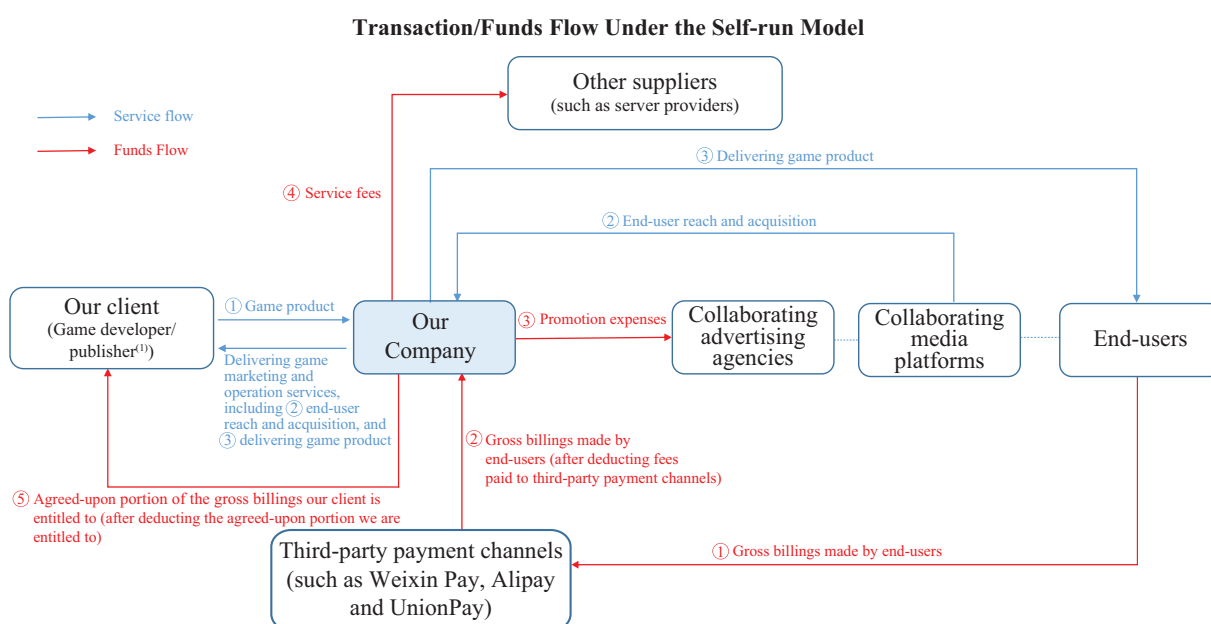
How We Run Our Business

Operation models of our online game publishing business

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game product we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. During the Track Record Period, the substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%, 82.8%, 72.2%, 73.0% and 65.1% of our revenue from online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

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Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the self-run model:



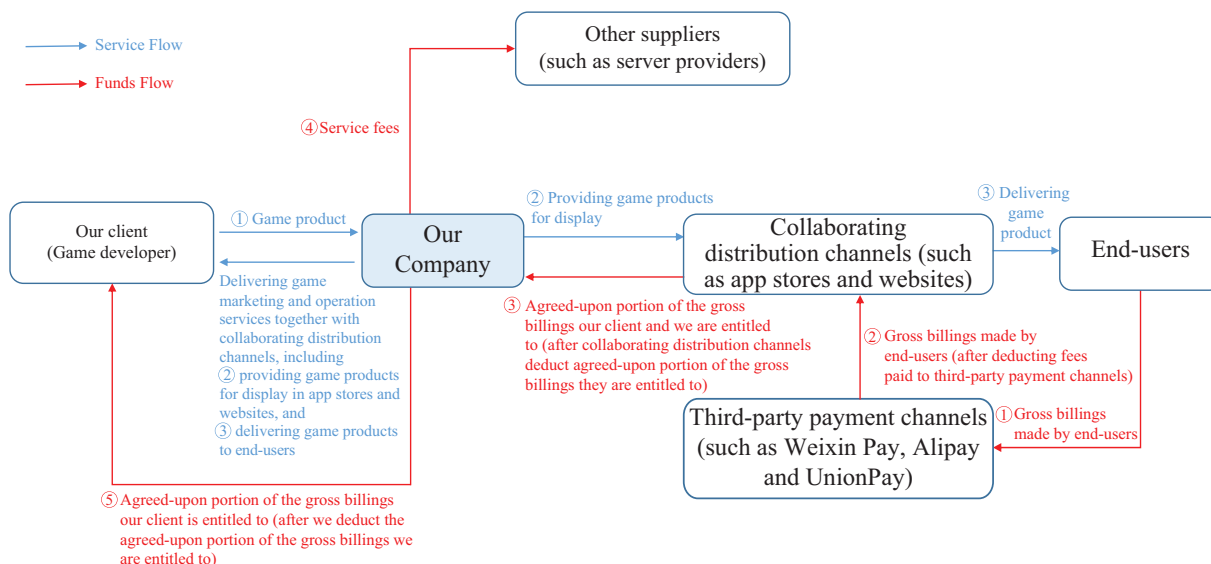
Note:

- (1) We provide marketing and operation support services to third-party game publishers for which we charge a service fee. We collect gross billings paid by end-users (after deducting fees paid to third-party payment channels) on behalf of such game publishers and charge service fees based on a certain percentage of the gross billings. During the Track Record Period, revenue generated from collaboration with game publishers, namely Zhejiang Zhengyou Internet Technology Co. Ltd. (浙江爭遊網絡科技有限公司) (“**Zhejiang Zhengyou**”) and Shangrao Xinxin New Technology Co. Ltd. (上饒市新新信息技術有限公司) (“**Shangrao Xinxin**”), amounted to RMB255.6 million, RMB98.7 million, RMB85.6 million, RMB29.0 million and RMB28.0 million, respectively. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, revenue generated from our collaboration with Zhejiang Zhengyou as a game publisher client was RMB86.9 million, RMB4.3 million, nil, nil and nil, respectively. During the same periods, revenue generated from our collaboration with Shangrao Xinxin as a game publisher client was RMB168.7 million, RMB94.4 million, RMB85.6 million, RMB29.0 million and RMB28.0 million, respectively. See also “— Our Business Model — How Our Business Generates Revenue” and “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

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Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the joint-run model:

Transaction/Funds Flow Under the Joint-run Model



Under the self-run model, we enable precision marketing, in-depth operation and brand development of the game products utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions. Under this model, we integrate all the components of our service flow for the particular game products we market and operate, and utilize our internal resources to execute all the steps along this service process, depending on the particular needs of the product.

Under the joint-run model, we leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game product. These collaborating distribution channels are mainly mobile application stores, through which we can further increase the coverage of end-users. In other words, we draw upon a portion of product distribution and end-user acquisition capabilities from external sources and channels, which also allow the end-users to experience the game product through such external channels on the mobile end.

During the Track Record Period, although the substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, revenue from marketing and operating online game products attributable to the joint-run model increased quickly as a general trend. Revenue from marketing and operating online game products attributable to the joint-run model was RMB453.3 million, RMB977.2 million, RMB2,383.8 million, RMB753.9 million and RMB814.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively, accounting for 15.8%, 17.2%, 27.8%, 27.0% and 34.9% of our revenue from our online game publishing business during the same periods, respectively.

For each game product we market, we conduct initial data model evaluation, revenue forecast calculation and the brand effect analysis. Acknowledging the industry-wide trajectory

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towards maximizing monetization opportunities of mobile traffic through self-operated platforms, we strategically utilize the self-run model to increase the exposure of the game products we market and operate to target end-users at the initial marketing stage. We then make a determination on whether the product is suitable to be layered into the joint-run model, which depends on whether the product satisfies our pre-set criteria and demonstrate the potential to generate organic traffic by leveraging resources from the collaborating distribution channel. We consider several pre-set criteria for layering in the joint-run model, all of which are designed to enhance the likelihood of a successful marketing and operation of a game product. First, we evaluate whether collaborating distribution channels are instrumental to its likelihood of success, by monitoring the key operating data, identifying the areas that can benefit from synergistic effects, and devising strategies for leveraging resources of collaborating distribution channels to implement smoother, streamlined business operations. Such evaluation is tailored to individual game products we market and operate, but a common criterion for key game products is whether the game product has accumulated one million registered users under the self-run model. If it does, we consider such game product a strong candidate for the joint-run model to enhance its monetization potential. Other criteria we take into account include the game products’ user retention rates, and conversion rate of PUs from AUs, and ARPPU. Second, we evaluate if a particular collaborating distribution channel has a track record of attracting users for long-term gameplay for a particular sub-type of game product, based on their experience in game distribution and operations. For example, we evaluate whether such collaborating distribution channel has a history of enabling a game product of the same genre to have long-term gameplay among dedicated users who have continued to play the game since its launch. Based on the internal evaluation of the above factors and the potential competition a particular game product may face during testing and the initial stage of commercialization, we make a determination whether the joint-run model is suitable for marketing and operating a particular game product.

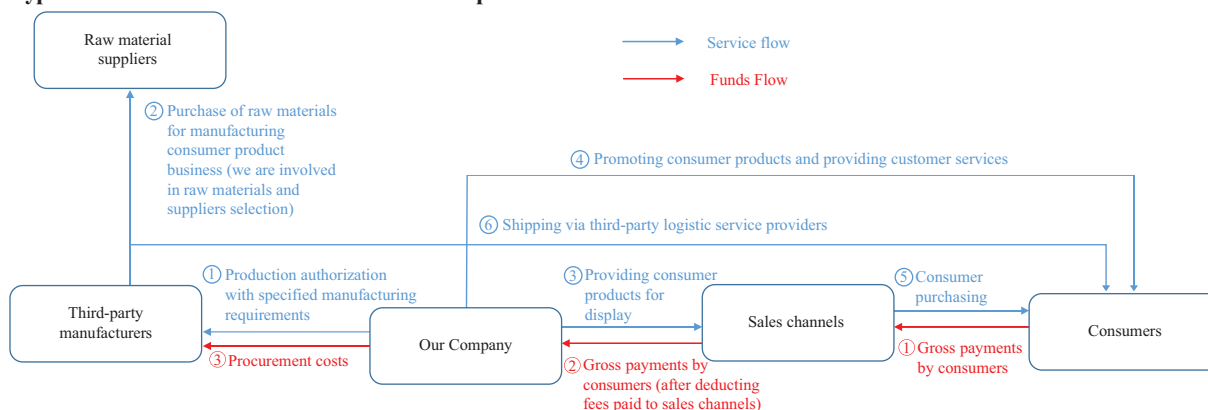
We believe that utilization of both the self-run and the joint-run model in marketing a game product not only captures the digital market trend, but creates synergies in strengthening our monetization capabilities. Under the joint-run model, we act as the primary game marketing and operation partner of our game developer clients, and pursuant to our service agreement with the game developer, we typically have the discretion to market and operate the game product under the joint-run model by engaging third party collaboration distribution channels. From time to time, we review and adjust the allocation of publishing activities between us and the various collaborating distribution channels, based on key considerations including (i) the improvement in operating metrics such as user retention rates, conversion rates of PUs from AUs, and ARPPU; (ii) the comparative cost-effectiveness of carrying out publishing activities by ourselves if a self-run model were adopted; and (iii) the synergistic effects brought by the collaboration, including if it has led to a smoother and streamlined operational process. Similar to when we first decide which game products are suitable for the joint-run model, such dynamic allocation of publishing activities is tailored to individual game products we market and operate. The contractual authorization is between us and the game developer client and the service details under the joint-run model are further elaborated in our agreements with the collaborating distribution channels. Therefore, under the joint-run model, we do not act as a collaborating distribution channel and third-party collaboration distribution channels are our suppliers rather than clients. For more details on the key terms of our arrangements with our clients, please see “—Summary of Key Terms of Framework Service Agreements With Our Clients.”

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Operation models of our consumer product business

Set forth below is a diagram illustrating a typical transaction/funds flow of our consumer product business:

Typical transaction flow for sales of consumer product business



How Our Business Generates Revenue

Revenue model for our online game publishing business

Most of the online games that we market or operate are under free-to-play basis whereby players can play the game free of charge or are charged for purchase of virtual items in the game, such as currency, avatars, property, powers, tools and gifts. Such payments are generally non-refundable and non-cancellable.

Under each of the self-run model and the joint-run model, so long as we market and operate a game product pursuant to a business arrangement under which the related game developer or publisher authorizes us to conduct marketing and operation, as applicable, we consider such game developer or publisher as our client and regard ourselves as the agent of such game developer or publisher in dealing with the end-users of the game product.

In exchange for our provision of the related services, we charge the client (game developer or publisher) a service fee as a percentage of the gross amounts that the end-users pay for the purchase of the virtual items in the game. We recognize the service revenue on a net basis which equals to the gross amounts collected from the end-users less the amounts shared by the game developer or publisher when the end-users pay for purchase of the in-game virtual items and when such amounts are determinable. Under each model, we generally determine the service fee based on features and estimated commercial value of the product and the business arrangements between the game developer or publisher client and us, such as the service scope and exclusivity. In addition, under certain agreements with the game developer or publisher, we are entitled to additional bonus based on the actual marketing performance. Revenue from such additional bonus is recognized when the amount is determined and confirmed by the game developer. During the Track Record Period, we were entitled to additional bonus from one game publisher client, Zhejiang Zhengyou Internet Technology Co. Ltd. (浙江爭遊網絡科技有限公司) (“**Zhejiang Zhengyou**”) for the provision of marketing and operation supporting services for eight game

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products. Zhejiang Zhengyou is a Chinese company established in 2016, mainly engaged in online game development, network technology transfer and providing marketing and technical services. Our performance with respect to a game product is assessed based on the effectiveness of our promotional activities. The additional bonus we are entitled to receive typically ranges from mid-single-digit to low-double-digit percentage of the total advertising fee we advance on behalf of the game publisher and determined on a product-by-product basis. In 2020, we received RMB31.7 million in additional bonus from Zhejiang Zhengyou. We terminated our service agreement with Zhejiang Zhengyou in 2021. See also “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

Under the self-run model for marketing and operating game products authorized by third-party game developers, the service fee we were entitled to receive as a percentage of the total gross billings generally ranged between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. The remaining gross billings typically go to game developer clients. Under the self-run model for marketing and operating our self-owned game product, we are entitled to receive the total gross billings as our fee. Under the self-run model, we also provide marketing and operation support services to third-party game publishers. We charge these game publishers a service fee based on a certain percentage of the gross billings that end-users pay for in-game virtual items, which generally ranged between 5% and 15% during the Track Record Period, with an average service fee of approximately 12%.

Under the joint-run model for marketing and operating game products authorized by third-party game developers, the service fee we were entitled to receive as a percentage of the total gross billings was generally in line with that under the self-run model, i.e., ranging between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. Pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 92% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, the service fee we were entitled to receive (excluding the portion our game developer clients are entitled to) as a percentage of the total gross billings generally ranged between 2% and 42% during the Track Record Period, with an average service fee of approximately 20%. Under the joint-run model for marketing and operating our self-owned game product, pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 94% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, we were entitled to receive a percentage of the total gross billings generally ranged between 6% and 60% during the Track Record Period, with an average service fee of approximately 11%.

The service fees we charge as a percentage of the total gross billings are negotiated individually and vary across individual clients and game products we market and operate under each of the self-run model and the joint-run model. Specifically, several factors affect the range of service fees we charge, including (i) the service scope, such as whether it includes offerings of precision marketing, in-depth operation and/or brand development to the game products, as applicable; (ii) the exclusivity, i.e., whether we may have the exclusive right to conduct

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marketing and operations for the target product in the specified regions; (iii) the track record of successful collaborations between us and the game developer clients; (iv) the experience of the game developer and the talents of the developer’s team; (v) degree of likelihood that the game can be developed on time and as envisioned; (vi) the developer’s track record for the delivery of games on time and within budget; (vii) historical sales performance of other games from the same game developer; (viii) estimates of potential sales of the target product, and (ix) potential use of third-party collaboration distribution channels. According to Frost & Sullivan, the aforementioned factors we take into consideration in determining the percentage of service fee, and the average service fees we were entitled to as a percentage of gross billings during the Track Record Period, are in line with the market practice.

The gross profit for game products operated under the self-run model was RMB2,312.4 million, RMB4,458.5 million, RMB5,896.5 million, RMB1,941.4 million and RMB1,424.9 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit for game products operated under the joint-run model was RMB126.1 million, RMB235.1 million, RMB387.9 million, RMB134.5 million and RMB159.2 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

The gross profit margin for game products operated under the self-run model remained relatively stable at 95.6%, 94.9%, 95.4%, 95.1% and 93.9% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit margin for game products operated under the joint-run model was 27.8%, 24.1%, 16.3%, 17.8% and 19.5% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

The key differences between the two models in profitability are due to the following:

- Under the self-run model, we conduct marketing and payment channel operation and/or brand development on our own, and we are responsible for identifying, contracting with the payment channels and the collaborating media platforms/advertising agencies or payment processing on behalf of game developer clients if needed. Therefore, commissions paid to the payment channels and the marketing fees calculated based on pay-to-sale are included in cost of sales.
- Under the joint-run model, we involve collaborating distribution channels to serve as both an end-user acquisition channel and our strategic partner to joint-run the authorized game products. A portion of the gross amounts paid by the end-users are withheld directly by the collaborating distribution channels (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution channels. We record the amount withheld by the collaborating distribution channels under the joint-run model as part of the cost of sales.

During the Track Record Period, in addition to marketing and operating game products authorized by third-party game developers, we also operated Legend of Guyun (古雲傳奇), in which we have had a full ownership since January 2022. Prior to our acquisition of its full ownership, this game product had been marketed and operated by us pursuant to an authorization from the then-third party game developer. Since our acquisition of the full ownership of this game product, we have been solely responsible for the game product development, maintenance,

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price setting and game server, and we consider ourselves as the principal of the game product and the end-users as the customers. We are obligated to provide on-going services to the end-users who make payments to gain an enhanced game-playing experience over the playing period, and accordingly we recognized the revenue ratably over the estimated average playing period of these paying end-users (“Player Relation Period”), starting from the point in time when the purchase of in-game virtual items is made, and all the other revenue recognition criteria are met. We estimate the Player Relation Period of a game based on historical data statistics of the paying players and reassess such period semi-annually.

Revenue model for our other marketing business

We also provide marketing services for developers of non-gaming applications (mainly online literature products). We consider the third-party literature content providers as our client and ourselves as an agent in the arrangement with both the third-party content providers and the online literature readers. We charge the client (content provider) a service fee as a percentage of the gross amounts that the online literature readers pay for the subscription of the online literature product. We recognize the service revenue on a net basis which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable. We generally determine the service fee based on features and estimated commercial value of the online literature product and the business arrangements between the content provider and us.

Revenue model for our consumer product business

We sell rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” to the end consumers over third-party online retail platforms and to the distributors. Revenue from the sale of such consumer products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt and acceptance of products. We generally determine the selling price based on the cost of procurement and production and our arrangement with third-party online retail platforms or local distributors.

Financial Performance of Our Business

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we generated a revenue of RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7 million and RMB2,448.3 million, respectively. In 2021, 2022 and the four months ended April 30, 2022 and 2023, we generated a profit of RMB616.4 million, RMB491.5 million, RMB124.6 million and RMB242.1 million, respectively. We recorded a loss of RMB1,301.1 million in 2020.

Substantially all of our revenue from the online game publishing business and other marketing business during the Track Record Period was generated from marketing and operating game products. During the Track Record Period, the substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%, 82.8%, 72.2%, 73.0% and 65.1% of our revenue from our online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

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In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our revenue generated from consumer product business amounted to nil, RMB30.3 million, RMB215.8 million, RMB35.5 million and RMB81.8 million, accounting for nil, 0.5%, 2.4%, 1.1% and 3.2% of our total revenue, respectively.

Our Market Opportunity

China has been the world’s largest market of online games in terms of gross billings since 2015. The market size of the online game market in China in terms of user spending increased from RMB210.4 billion in 2018 to RMB288.3 billion in 2022 at a CAGR of 8.2% and is expected to reach RMB392.1 billion in 2027, representing a CAGR of 6.3% from 2022 to 2027. Online games can be classified as PC games and mobile games depending on the operating device and mobile games accounted for 83.3% of the online game market in 2022 in terms of user spending. According to Frost & Sullivan, China’s mobile game market grew rapidly in terms of user spending at a CAGR of 11.0% from RMB158.0 billion in 2018 to RMB240.2 billion in 2022 and is expected to reach RMB343.0 billion in 2027, representing a CAGR of 7.4% from 2022 to 2027. The mobile game market has dominated the combined online game market in China, with a revenue share of over 83.3% in 2022 and is expected to continue dominating the online game market, with the revenue share further increased to 87.5% in 2027. The shift towards online game play, along with in-game monetization and marketing analytics technologies, have transformed the way consumers interact with video games.

According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. The top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022. We believe success in delivering a highly engaging consumer experience results from use of our proprietary technologies and expertise accumulated through our continued refinement of our insights.

Key drivers that contribute to the growth of the mobile game industry in which we operate include: (i) increasing demand for innovative and quality game products; (ii) increasing importance of comprehensive marketing and operating capabilities; (iii) increasing consumption and willingness to pay by mobile game players; (iv) development of technology infrastructure and (v) overseas markets exploration. In addition, there are significant entry barriers and challenges in the mobile game industry in China, including: (i) relationships with business partners; (ii) brand awareness and end-user base; (iii) knowledge of end-user preference and market trends; (iv) technology know-how and (v) emerging mobile game marketing, operation and distribution methods.

See “Industry Overview” for a detailed description of the competitive landscape of the industry we operate in.

Our Clients and Suppliers

During the Track Record Period, our clients primarily consisted of developers of game products. We review our clients on a regular basis. For the years ended December 31, 2020,

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2021 and 2022 and the four months ended April 30, 2023, (i) our five largest clients in each year/period contributed to approximately 92.0%, 95.2%, 80.4% and 78.1% of our total revenue for the same year/period, respectively; and (ii) our largest client in each year/period contributed to 48.6%, 43.9%, 31.7% and 32.0% of our total revenue for the same year/period, respectively.

During the Track Record Period, our suppliers primarily consisted of third-party advertising, marketing and channel distribution service agencies or providers. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, (i) our five largest suppliers in each year/period contributed to approximately 56.1%, 64.5%, 59.0% and 53.4% of our total purchases for the same year/period, respectively; and (ii) our largest supplier in each year/period contributed to 28.0%, 24.8%, 24.4% and 16.3% of our total purchases for the same year/period, respectively.

Please see “—Our Clients and Suppliers” for more information on our five largest clients and suppliers during the Track Record Period and “—Summary of Key Terms of Framework Service Agreements With Our Clients” and “—Summary of Key Terms of Collaboration Agreements with Our Suppliers” for more information on our business arrangements with our clients and suppliers.

Massive Player Network and Loyal End-User Base of Game Products Operated by Us

Our clients, primarily game developers, rely on us to leverage our expertise in monetization of online games and marketing analytics technologies to attract and retain end-users for the game products they develop. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). The Tan Wan brand has amassed and nurtured a vibrant Tan Wan community of players on various game products that we market and operate. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users.

We take the following measures to create and maintain a vibrant Tan Wan community for players.

First, as an important component of our strategy to elevate user experience, we pay particular attention to the needs of middle-aged adult players, who we believe represent a nostalgia-driven and brand-conscious group that acknowledges value from game products with potential for a longer lifecycle and poised to expand their purchasing power because of the superior user experience. We believe delighting our Tan Wan community players with a superior game experience represents a significant opportunity for us to retain and expand our user base.

Second, we focus heavily on building long-term relationships with these players, and in particular on our ability to retain them over the long term. We have a track record of attracting our audience to new games and retaining them within our network. As an example of our success in attracting and retaining users, as of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. Furthermore, for the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated, and during the Track Record Period, the average

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monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. We aim to first attract players to download the game products we market and operate through our precision marketing efforts and attract new players through word-of-mouth promotion. Second, we work with game developers to develop games with features that will motivate players to make purchases within the game products we market and operate, and then finally to enhance the number of purchases made by our end-users. We believe the longevity of our end-user base is a result of our continued release of new levels and content, and cross-promotion. To drive retention and cross-promotion, The longevity of our end-user base is highlighted by our ability to enable marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023, showing stickiness and dedication of our end-users. The longevity of our end-user base is also highlighted by our ability to achieve an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated for the four months ended April 30, 2023, and the average monthly revenue per paying user (ARPPU) of RMB411.1 for all the game products we marketed and operated during the Track Record Period. we use a data-centric, rule-based approach aimed at enhancing aggregate product-specific return parameters, regardless of content, channel or advertising format. This rule-based approach to drive user retention is a value-driven approach based on maximized end-user lifetime value to our on-network marketing programs. The nature of the end-user lifetime value is estimated based on our Hetu (河圖) and Luoshu (洛書) systems with assumptions and trend performance of the game product and a set of criteria including region, game and cohort (i.e., target end-user group). We frequently refresh these clusters and adjust them based on our acquisition strategies, and systemically review the effectiveness of our measures to optimize our end-user lifetime value. Our technology infrastructure allows us to actively manage and prioritize these communications to our audience in a way that increases the long-term value of our network.

Third, we highly value players’ feedback on the game products we market and operate. As early as the pilot testing stage, the testing data help us to verify the games’ designs, core gameplay, player experiences and overall commercial potential so that we can communicate with the third-party game developers, and adjust and optimize the development strategies in a timely manner. We also proactively seek players’ feedback on the game products we market and operate through organizing online and offline player activities to enhance players’ sense of belonging and identification with us. For example, we organize offline events for our players, including group games and communications between our players and our operation team.

Fourth, we attract players to our Tan Wan community through our various tailored precision marketing strategies, and we retain players by organizing activities and encouraging player interactions via our official accounts on various social media platforms. We have a dedicated operation team that manages the player community accounts and actively interacts with the community participants. Through the Tan Wan community, the players can receive from us latest information about the games we market and operate, including recent events we organize, opportunities to participate in testing the new games launched and free in-game virtual items. We also proactively seek players’ feedback on the games we market and operate and organize online and offline player activities to enhance players’ sense of belonging and identification with us.

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Our Core Competitive Edges

We attribute our continued growth to several distinguishing elements.

Precision Digital Marketing Capabilities. Efficient precision digital marketing is our core competence. Benefitting from the insights accumulated from the mobile game industry and our data-driven decision-making technology platforms, namely the Hetu (河圖) and Luoshu (洛書) systems, we can accurately allocate marketing resources and pinpoint suitable end-user traffic acquisition and management strategies through real-time minute-based data. Our integrated digital marketing engagement system, Hetu (河圖) system, could monitor the outcome of the advertisement campaigns while effectively monetizing the user traffic by enabling purchases from end-users. Leveraging our intelligent end-user engagement platform, we have also achieved automatic adjustment and optimization of the end-user traffic acquisition and management strategies. Notably, as the game products we market are distributed on multiple devices, we deploy our campaigns across a wide mix of social and mobile channels. Leveraging the variety of data generated from cross-platform distribution, we believe we can deliver high returns for the products in the long run. Our data scale and channel diversification contribute to the economy of scale. We operate thousands of campaigns targeting hundreds of discrete clusters through a mix of channels and formats across multiple platforms, subject to the tailored product-specific target return parameters. We regularly monitor the results of our digital marketing campaigns.

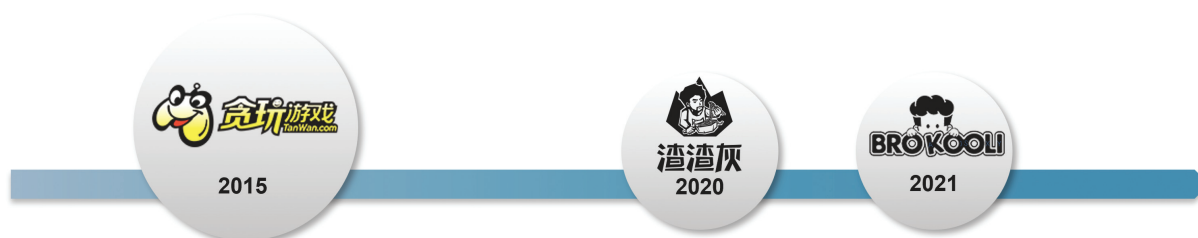
As an example of our precision marketing capabilities, we are one of the first companies in the mobile game industry to engage celebrity endorsement for promotion and marketing. We have accumulated extensive experience in selecting suitable celebrity spokespersons. We have cooperated with more than 30 celebrity spokespersons to enhance brand development and marketing of game products. Leveraging our intelligence analytics capabilities, we choose spokespersons with fan groups similar to those that might be the target user groups of the marketed product. We have gradually expanded our selection of spokespersons to a variety of newly emerged influencers, including live streamers and video game commentators, among others. We believe our marketing model is in line with the latest industry trends and able to bring brand effect and fan effect in the marketing of the game product. Our Hetu (河圖) system can monitor and analyze the promotion effect of marketing materials of the spokesperson due to its ability to correlate events across multiple sources to discover patterns, identify trends and predict outcomes across millions of data to understand changes in end-user behavior as a result of the promotion efforts by the spokesperson, as well as the distribution effects generated from various distribution channels.

In-depth Operation Capabilities. We believe our full lifecycle game product operation enhancement capabilities set us apart from our competitors. We provide in-depth operation for the game products we market and operate throughout their lifecycle. For example, we initially advise our clients on game product design, product optimization, launch schedules and promotion strategies based on online testing results. Prior to the official launch of a product, we provide game development feedback package for the next one to two months following its launch as to maintain the end-user freshness and increase end-user stickiness. Afterwards, we also monitor system logs and user actions regularly and provide recommendations for product design,

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promotion strategies and end-user retention plans. Our marketing department works closely with our operation department and provides feedback to them from time to time during the product operation stage. In addition, our in-depth operation capabilities aim to address one of the common challenges for game developers, which is end-user churn. Our insights powered by machine learning and our big data analytics tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing end-user retention and engagement potential and resulting in a higher lifetime value and a longer lifecycle. Our technology platform ingests and analyzes disparate parameters to generate views of behavior analysis, the likelihood of player churn and in-game purchase intent, which are then translated into marketing campaigns for highly targeted end-users across specific marketing channels we choose to integrate. Notably, our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings. We believe our in-depth operation capabilities deepen our relationships with our clients and foster long-term cooperation.

Brand Development Capabilities. Our brand development capabilities are two-fold. First, we distinguish ourselves from our competitors by providing tailored brand development solutions to our clients, in particular, developers of mobile game products. Our brand development capabilities have enabled us to enhance the brand awareness and penetration of game products and thus build a structured long-lasting IP or IP matrix. For a detailed description of our brand development capabilities for game products, please see “—Our Online Game Publishing Business and Other Marketing Business — Service Flow of Online Game Publishing Business —Brand Development.” Second, benefitting from our continued success in end-user acquisition and retention, more end-users have begun to recognize our own brand. For example, our “Tan Wan” brand, under which the online games developed by our clients marketed and operated by us are delivered to player is an online game publishing brand widely accepted by Chinese players, according to Frost & Sullivan. This, in turn, provides us with an opportunity to create and develop our own consumer product brands, such as the instant food brand established in late 2020 — “Zha Zha Hui.” We are working on cultivating our own brands across industries based on the latest consumer preferences and trends and with highly recognizable characters.



OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contributed to our historical success and will drive our future growth.

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An experienced market player in China’s mobile game industry leveraging capabilities in precision marketing, in-depth operation and brand development.

We are devoted to marketing and operating online games (in particular mobile games) for game developers in China. We have substantial expertise that we can leverage to attract and retain reputable game developers and identify game products with potential to realize a longer lifecycle. Our expertise in monetization of online games and marketing analytics technologies has enabled us to navigate game developers through the entire life journey of their game products, covering product evaluation, precision marketing, in-depth operation and brand development. According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. The top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022.

Our online game publishing business and other marketing business is the result of research, observation, iteration, and enhancement. During the Track Record Period, our game product portfolio primarily consisted of games developed by developers of different sizes. The game products we market and operate are typically long-lasting in nature and are featured with fun and creative characteristics. In addition, we upgrade and release new features with customized elements targeting different end-user groups. By doing this, we are able to reach a broad and active player base and foster long-term end-users retention for game developers. Since our inception, we have marketed and operated over 310 game products. We expect the portfolio of the game products we market and operate to expand in the foreseeable future as we continue to develop and solidify business relationships with game developers.

In addition, we continue investing in improving our approach and expanding the portfolio of game products. As such, we have established a pipeline that we deem viable for future precision marketing, in-depth operation and brand development. We expect to launch 30 to 50 new game products in 2023, including role-playing game (RPG), casual game and simulation game (SLG).

Notably, we run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game products we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. For each game product we market, we conduct initial data model evaluation, revenue forecast calculation and the brand effect analysis on the game product generated through the self-run model. Acknowledging the industry-wide trajectory towards maximizing monetization opportunities of mobile traffic through self-operated platforms, we strategically utilize the self-run model to increase the exposure of the game products we market and operate to target end-users at the initial marketing stage. We then make a determination on whether the joint-run model will be layered into this product, depending on whether the product satisfies our pre-set criteria and demonstrate the potential to generate organic traffic by leveraging resources from the collaborating distribution channel. We believe that utilization of both the self-run and the joint-run model in marketing a game product not only captures the digital market trend, but creates synergies in strengthening our monetization capabilities.

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Broad reach of end-user base with established stable business partnerships

Our success is built on our ability to form a large end-user base for our clients. We believe we are able to do so by leveraging our technology platforms highlighted by the Hetu (河圖) and Luoshu (洛書) systems, data analysis capabilities and user insights to operate game products based on internal test results. These technologies and analytical insights enable us to accurately simulate the actual performance of our marketing campaigns, thus providing precise recommendations of the game products to a large base of end-users with a higher chance of conversion. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. For the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated. During the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1.

In addition, we have established stable and comprehensive business partnerships with reputable game developers. Since our inception, we have marketed and operated over 310 game products. We maintained an average of five years of business relationships with our five largest clients during the Track Record Period.

Our reputation in the market enables us to select reputable game developers. Prior to entering into a framework service agreement to market and operate a particular game, we consider the criteria below when determining whether we should collaborate with a particular game product developer: (i) the experience of the game developer and the talents of the developer’s team; (ii) the developer’s track record for the delivery of games on time and within budget; (iii) historical sales performance of other games from the same game developer; (iv) the degree of likelihood that the target product can be developed on time and as envisioned; and (v) estimates of potential sales of the target product; (vi) whether the developer will be using technologies, such as game engines, with which the developer has successfully created games in the past; and (vii) the developer’s past releases on the platforms that the developer intends to use for the target product.

Leveraging our position in the mobile game industry, we have established long-term and stable relationships with major media platforms and are actively exploring opportunities to work with emerging channels to further solidify our position. As an example of our success, we ranked the third in terms of advertisement placement for game products in China in 2022, according to Frost & Sullivan. In addition, we were awarded the Best Game Brand Marketing Case of the Year Award by OceanEngine of ByteDance in 2020 and the 2020 Innovative Intelligent Marketing Award by Tencent Advertisement in China.

Prolonged product lifecycle and enriched product value empowered by in-depth operation capabilities

Our competitive advantages, overall growth, and financial profile are a direct result of our in-depth operation capabilities, and we believe our full lifecycle game product operation enhancement capabilities set us apart from our competitors. Since our inception, we have

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enabled marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023. We extend the life time value of a game product through our precision marketing and in-depth operation capabilities to realize long-lasting effects. See “— Our Online Game Publishing Business and Other Marketing Business — Service Flow of Our Online Game Publishing Business” for more details. In particular, we actively take the following measures to extend the life time value of the game product we market and operate: (i) we have established a comprehensive systematic approach to game product selection, marketing and operation, including (a) monitoring and analyzing end-users’ feedback and gameplay habits and continuously working with game developers to offer new contents and gameplays, (b) communicating with end-users through in-game communication channels, posting interesting game-related content and collecting their feedback in the respective player community, (c) offering online community events for holidays, (d) continuously working with game developers to update games with elements of popular culture and other features, and (e) continuously conducting promotional activities such as brand promotion and traffic acquisition; (ii) our marketing team work closely with game developers to continuously refine game features after their launch; (iii) we work with game developers to offer a quality game environment to end-users, including preventing the use of plug-in cheating software, filtering inappropriate or illegal messages sent by players and detecting and fixing technical issues in time.

Notably, we provide in-depth operation for the game products we market and operate throughout their life cycle. For example, we initially advise our clients on game product design, product optimization, launch schedules and promotion strategies based on online testing results. Prior to the official launch of a product, we provide game development feedback package for the next one to two months following its launch as to maintain the end-user freshness and increase end-user stickiness. Afterwards, we also monitor system logs and user actions regularly and provide recommendations for product design, promotion strategies and end-user retention plans. Our marketing department works closely with our operation department and provides feedback to them from time to time during the product operation stage. In addition, our in-depth operation capabilities aim to address one of the common challenges for game developers, which is end-user churn. Our insights powered by machine learning and our big data analytics tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing end-user retention and engagement potential and resulting in a higher lifetime value and a longer lifecycle. Our technology platform ingests and analyzes disparate parameters to generate views of behavior analysis, the likelihood of player churn and in-game purchase intent, which are then translated into marketing campaigns for highly targeted end-users across as specific marketing channels as we choose to integrate. Our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings. We believe our in-depth operation capabilities deepen our relationships with our clients and foster long-term cooperation.

Continued self-reinforced intelligent technologies and R&D capabilities

Our advanced, scalable and reliable intelligence technologies lay the foundation of our success.

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We leverage insights and technical expertise to create our proprietary technology platforms, creating a competitive advantage over our competitors. Our technology platforms are built using a scalable, globally distributed framework with an elastic architecture that allows us to rapidly build new technologies and adapt to changing industry demands. We automate marketing and monetization, freeing developers of game products to focus on what they do best — app or game development. Our marketing data analytics capabilities allow us to optimize product performance, end-user acquisition and engagement and monetization based on predicted lifetime values of the product, driving value for both our clients as well as their end-users. We had accumulated more than 120.9 billion machine learning training sets through our technology platforms as of April 30, 2023.

As such, we have developed our own proprietary technology platforms, as highlighted by our intelligent end-user engagement platform — the Luoshu (洛書) system, and our proprietary business intelligence analytics system — the Hetu (河圖) system.

- ***The Luoshu (洛書) System*** — We have achieved centralized management of various media platforms through our intelligent end-user engagement platform, the Luoshu (洛書) system, which, in turn, enhanced the efficiency for placement. It allows us to address various marketing demands of the game products we market and operate, which in turn enhance end-user coverage with minimized human operations. The Luoshu (洛書) system features AI-driven engagement recommendations based on the automated match of the game products we market and operate and the traffic channels’ bidding systems. As of April 30, 2023, our Luoshu (洛書) system has established connections with over 220 collaborating online media platforms. This also affords us access to a vast amount of end-user engagement and platform performance data. The Luoshu (洛書) system achieves intelligent effective end-user engagement while building stable technical support for our future business expansion.
- ***The Hetu (河圖) System*** — Our proprietary business intelligence analytics system, our Hetu (河圖) system, is capable of monitoring and analyzing the marketing campaign results through various tags generated, including time slots, channels and characteristics of the target user group. Our Hetu (河圖) system generates over 3,000 analytical indicators to intellectually adjust the end-user engagement strategies and spending for the game products we market and operate on a real-time basis and optimize the campaign results to achieve the best marketing results. Our Hetu (河圖) system is able to conduct sub-second data inquiry and analytics and generate key features of users in real time.

Underlying our Hetu and Luoshu systems are our core technology capabilities, highlights of which include:

- ***Data processing infrastructure.*** Our data processing infrastructure enables us to manage and analyze end-user data and optimize our deep learning algorithms in real-time. In addition, we established a AI algorithm training system to develop deep learning algorithms and train deep learning models utilizing the big data we collected.

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Due to the complexity of analyzing various behaviors of our end-users, we have also developed a comprehensive online deep learning interactive system to support synchronistic computing to optimize the utilization of data and further streamline our deep learning model optimization, protection, deployment, management and monitoring.

- *User-centric database.* We have developed a large database of end-user profiles through our full lifecycle in-depth operation services, enabling us to conduct in-depth user behavior analysis construction, realize real-time decisions and achieve personalized and precise marketing for diverse end-users. We process and serve a large amount of content for our end-users every day. We believe that combining data analytics with creative game design enables us to create a superior experience which formed our core competence. Our user database has over 3,000 analysis tags, including demographic information of their followers such as age group, gender, geographical area, and predicted educational level; viewing interest and preference of its followers; and content nature, such as content format and categories.
- *AI-empowered deep learning algorithms.* With the ultimate goal of creating a high-quality and diverse end-user base, we are able to do so by leveraging our AI-empowered technology platforms highlighted by the Hetu and Luoshu systems. Through this, we have gained strong data analysis capabilities and unique user insights to effectively and efficiently recommend products based on internal test results. Since our success is being driven by industry trends and customer needs, we have focused on expanding the breadth and depth of our algorithms to improve our servicing capabilities to cater to the changing demands of our existing clients and attract new clients. To optimize our AI-empowered deep learning algorithms, we have deployed a broad range of cutting-edge algorithms for user profiling, automated analysis and effect prediction, which can improve the evaluation of scalable data from multi-dimensions. We have strategically built a robust intellectual property portfolio for our proprietary technology stack and data analytics to retain our competitive advantages. With the objective to extend our technology leadership position, we are currently developing more advanced algorithms tailored to our operations.

We devote substantial efforts and resources to R&D activities to maintain our edge on the technology front. As of April 30, 2023, we had 335 employees dedicated to R&D and related activities. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we incurred research and development costs of RMB472.4 million, RMB136.9 million, RMB157.7 million, RMB47.3 million and RMB57.7 million, respectively, mainly for the commissioned development of software and other technology systems. We invested in both the improvement of our existing systems, as well as in research that we believe will lead to the development of important new functions to expand and enhance our platforms. We plan to continue to leverage both in-house innovation and acquired talent and technologies to continue to grow our business.

Robust monetization capabilities through brand development capabilities

We believe a brand development strategy is a long-term plan designed to increase the value of a game product we market and operate and differentiate it from competitors and increase its

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impact among players. As a team, we start with the definition first by we defining what the game product is. To do this, we play the game as a whole team, from marketing to operations, and start to shape the answers to the questions in our minds by thinking like a player. The answers to all these questions are the cornerstones that will guide us to the next steps. In the competitive environment of the online game industry, we analyze the competitors in every detail, using the cornerstones we found at the beginning, to distinguish the game product we are working on from the others, and we aim to create a creative difference that will attract the attention of the players. For example, with this difference, we work with the game developer to create a key theme setup for the game product we market and operate that will appeal to the player. This theme aims to grab the attention of the players, so the popularity and lifecycle of the game product benefits from the emotional echo associated with the theme we set up, too.

Specifically, our brand development capabilities are two-fold. First, we distinguish ourselves from our competitors by providing tailored brand development solutions to our clients, in particular, developers of mobile game products. Our brand development capabilities have enabled us to enhance the brand awareness and penetration of game products and thus build a structured long- lasting IP or IP matrix. For a detailed description of our brand development capabilities for game products, please see “—Our Online Game Publishing Business and Other Marketing Business — Service Flow of Online Game Publishing Business —Brand Development.” Second, benefitting from our continued success in end-user acquisition and retention, more end-users have begun to recognize our own brand. For example, our “Tan Wan” brand, under which the online games developed by our clients marketed and operated by us are delivered to player is an online game publishing brand widely accepted by Chinese players, according to Frost & Sullivan. This, in turn, provides us with an opportunity to create and develop our own consumer product brands. We are working on cultivating our own brands across industries based on the latest consumer preferences and trends and with highly recognizable characters. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand “Zha Zha Hui” (渣渣灰) and pop toy brand “Bro Kooli.” Such consumer product business experienced rapid growth since launch. We recorded revenue from the consumer product business of nil, RMB30.3 million, RMB215.8 million, RMB35.5 million and RMB81.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

- **“Zha Zha Hui (渣渣灰)”** — Benefiting from the end-user insights we accumulate, we continuously capture and analyze valuable end-user behavior and performance data. Based on our judgments on market trends of e-commerce business and social media platforms, we made a strategic decision to penetrate into the instant food industry. As exemplified by the launch of our instant food brand “Zha Zha Hui” in 2020, we continuously capture and analyze valuable end-user behavior and performance data in connection with the popular RPG game products we market and operate. Through our market research on consumer demographics, buying habits and purchase power, including data analysis based on in-app purchases, we have learned that the end-users of this game product share desirable characteristics with lovers of instant food among the younger generation. We also believe that the brand recognition we have achieved with the end-users of the game products we market and operate will help drive the advancement and penetration of our business in the instant food sector. “Zha Zha Hui”

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is designed as an instant food brand with an emphasis on instant prepared rice noodles and primarily targets the instant food-centered pop culture. According to Frost & Sullivan, “Zha Zha Hui” has become one of the fastest growing brands in the instant food industry in terms of GMV. The GMV of China’s instant food industry increased by approximately 4.5% from 2020 to 2021 and 6.1% from 2021 to 2022. Since launch of the Zha Zha Hui brand, GMV generated by this brand increased significantly from RMB2.4 million in 2020 to RMB87.6 million in 2021, and further increased to RMB315.9 million in 2022.

- **“Bro Kooli”** — We have launched Bro Kooli, a self-developed trendy pop toy with a broccoli-like head, to capture the growth in the pop toy market. We partner with international artists to create cross-cultural and cross-linguistic nature IPs under Bro Kooli. We have created and attributed characteristic backgrounds for Bro Kooli to establish emotional connections with individual consumers. Our Bro Kooli features distinct designs and aesthetics, making it good fit for display and create a notion of self-expression and individuality with consumers. The pop toys created under Bro Kooli express an attitude of joy and optimism, which we believe could relate to the end-consumers. As such, we believe the embodiment of contents and artistic expression of the pop toys created under Bro Kooli establish a positive emotional connection with individual consumers.

Visionary and experienced management team

We are led by a visionary and experienced management team with solid, diverse and complementary backgrounds and a proven entrepreneur track record. Our co-founders and management team started working together as early as 2008. We have then assembled a superior management team with extensive industry experience who provides us with invaluable insights and guidance. Lead by our premium management team, we are able to anticipate major industry trend, accumulate insight on online traffic monetization and select suitable products with massive potential in the mobile game industry. Our management team has built a collaborative culture fostering both nimble and rational decision-making.

Mr. WU Xubo, our co-founder, chairman and chief executive officer, is a veteran entrepreneur with over 16 years of industry experience and abundant experience in corporate management. Mr. WU was recognized as the Outstanding Chinese Brand Entrepreneur (中國品牌優秀企業家) by Asian Brand Festival Organizing Committee (亞洲品牌盛典組委會) in September 2021, and Innovative Rao Businessman of the 2nd Global Rao Businessman Conference by Shangrao Municipal People’s Government in April 2021. Notably, he was awarded Top Ten Outstanding Youths in Shangrao (上饒十大杰出青年) and Shangrao Youth May 4th Medal (上饒青年五四獎章) by Shangrao City Committee of the Communist Youth League of the Communist Party of China (中共共青團上饒市委員會) and Shangrao Youth Federation (上饒市青年聯合會) jointly in May 2019 and May 2018, respectively. Our other co-founder, Ms. WU Xuan, has over 15 years of experience in online gaming industry. Ms. WU has insights into business management of online game marketing and operation and specializes in in planning and developing our consumer product business.

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We believe that our management team’s industry experience and vision have led us to our industry position. Such achievement has strengthened our presence and market share and laid a solid foundation for our further development and diversification. In the future, our management team will continue to lead us in capturing market opportunities and ensuring our rapid and sustainable growth.

OUR STRATEGIES

We plan to implement the following strategies. Please see “Future Plans and Use of [REDACTED]” for details on how we currently intend to apply the [REDACTED] from the [REDACTED] to implement our strategies.

Continue to enhance and expand online game publishing business and other marketing business

We have an attractive market opportunity within our growing online game publishing business and other marketing business and will continue to expand our product portfolio, identify products with high monetization potentials, diversify the end-user base and deepen content development of popular game products with potential for a longer lifecycle. In particular, we plan to implement the following strategies:

- **Product Coverage Expansion.** We will continue to utilize our end-users’ insights to monetize more quality game content and diversify and extend our game product portfolio.

First, we will continue to convert game products in development that we have been authorized to market and operate from the pipeline status to final commercialization. We expect to launch 30 to 50 new game products in 2023, including role-playing game (RPG), casual game and simulation game (SLG). Among the game products we expect to launch in 2023, we will continue to focus on the marketing and operation of RPG products based on our current market analysis. We also plan to expand genres coverage of our game products reserve, including casual games and SLG, to identify and capture new market opportunities in the next few years.

Second, we will continue to purchase new game IPs. We consider the following factors when selecting new game IPs that we intend to market and operate: (i) the potential of the game IPs for a longer lifecycle; (ii) the potential fan base of the IPs, including the number of fans, loyalties and willingness to purchase; and (iii) the popularity of the IPs, including the persistence of their popularity and the capability to derive new content from these IPs. In particular, we plan to secure new collaboration opportunities to allow us to market and operate new mobile games and content with potential to realize a longer lifecycle. We plan to enter into new framework service agreements with reputable game developers over the next four years for approximately 30 new mobile games under development, by capitalizing on our reputation as a competitive publisher

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for online games in China’s mobile game industry and leveraging our marketing data analytics capabilities.

- **Sector Coverage Expansion.** To solidify our position and capture the large unmet monetization opportunities, we will expand our portfolio beyond game products. Specifically, in addition to game products, we plan to export our core capabilities to enabling marketing of approximately five more online literature products and two other products, such as animation. Meanwhile, we will actively explore opportunities to research and develop high-quality content independently, which in turn enable the sufficient supply of diversified and high-quality content.
- **Explore International Business Opportunities.** We aim to provide overseas end-users with interactive experiences that are as captivating as game products we marketed and operated for the market in China, while at the same time customizing the game products that we market and operate based on local cultures, customs, folktales, lifestyles and end-users’ habits of specific markets.

We expect our product portfolio will be further diversified and enriched which in turn enable us to achieve sustainable growth. In the short run, we expect that (i) our cost of sales as well as our research and development costs will increase as we diversify and expand our product/sector coverage, and (ii) our selling and distribution expenses will increase as we invest more to develop our brand awareness for consumer product business. Such investments may result in a short-term downward pressure on our profit margin. In the long run, we believe our forecast financial growth will offset such impact as our investment in strengthening our core competitive advantages will allow us to develop and deliver additional and diversified products, expand and penetrate new industry verticals and achieve positive network effects.

We plan to invest approximately HK\$[REDACTED] for this business strategy, which will be funded by a combination of [REDACTED] from the [REDACTED], bank borrowings and our own funds. For details on the [REDACTED] to be allocated for this purpose, see “Future Plans and Use of [REDACTED].”

Continue to enhance our intelligence technologies and invest in technology and innovation

We are dedicated to maintaining a competitive edge in product quality and popularity through continued innovation and upgrades. We will continue our devotion to R&D and strengthen our technology capabilities. In particular, we plan to focus on the following areas:

- **Digital Marketing.** We will further strengthen our ability to accurately identify the needs of different groups of end-users and improve the efficiency in precision marketing by continuing to improve our Hetu (河圖) and Luoshu (洛書) systems. By doing so, we believe we will be able to refine our digital marketing capability and deepen our end-user insights.

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- **AI-Powered Intelligent Engagement.** We intend to increasingly incorporate AI technologies into our business. We intend to improve our R&D capabilities in AI engagement and big data analysis to improve the accuracy of AI promotion activities and enhance our marketing capabilities.
- **Client-Focused R&D Effort.** We plan to closely follow the prevailing market trends to enhance our algorithms to improve our capabilities to cater to the changing demands of our existing clients and attract new clients. Our client-focused R&D approach will keep focusing on bringing commercially viable technologies into our systems to further enhance end-user satisfaction.
- **Development of Home Brands and Content.** We believe our ability to create home brands and content will be a key stimulus for future growth. We plan to leverage our in-house game product development team to actively develop our own IPs game products and create in-house product matrix to further diversify our monetization sources.
- **Attract, Cultivate and Retain Talents.** In line with our business growth, we will continue to attract, cultivate and retain talent. We plan to expand our R&D team through in-house training, supplemented by external recruitment of experienced staff from industry leading companies.

We plan to invest approximately HK\$[REDACTED] for this business strategy, which will be funded by a combination of [REDACTED] from the [REDACTED], bank borrowings and our own funds. For details on the [REDACTED] to be allocated for this purpose, see “Future Plans and Use of [REDACTED].”

Further enhance brand development capabilities and diversify the content offered

To capture the enormous monetization potential of various business beyond game marketing and operation, we will continue to broaden the brand development capabilities and diversify our sources of income future diversify our revenue sources, particularly through “Zha Zha Hui” and “Bro Kooli.” We also aim to capture growth opportunities from potential clients from offline entertainment content-related segments in China.

- **Brand Development.** We continue to apply our expertise in gaming marketing campaigns to other business opportunities and nurture our own brands in marketing our clients’ game products. We also intend to expand and strengthen our consumer product business.
- **Diversifying the content offered.** The breadth, depth and effectiveness of the consumer access channel is critical to our success and development prospect. To facilitate our future product matrix and expansion plan, we intend to formulate and organize various marketing and branding activities in the targeted markets. In particular, we intend to further refine our multi-channel marketing strategy to enhance

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the integration of the online experience and offline scenarios, by increasing our investments in the pop toy industry to capture the growth opportunities brought by Web 3.0 and the metaverse. We plan to enhance the integration of the online digital experience and offline consumption scenes by developing and producing real-world equivalent virtual images from our IPs.

Specifically, we will continue to enhance and expand our consumer product business as part of our diversification strategy. We plan to implement the following specific strategies:

- We will continue to enhance our Zha Zha Hui brand through expanding our instant food products categories and enhancing its brand recognition. First, we strive to expand our instant food product offerings in different consumption scenarios and to continuously introduce new product categories beyond rice noodles, such as seasoned flour products and bean-based products. In particular, we will further optimize the consumption experience of our Zha Zha Hui series by introducing new flavors, upgrading packaging designs and enriching the nutrition value, so as to attract more customers; Second, we will further devote our efforts to enhance our brand recognition by establishing innovative and popular marketing campaigns to promote the instant food culture and creating connections with the game products we market and operate to enhance brand recognition. Third, we plan to exploit technologies such as big data, artificial intelligence, industrial internet and real-time computing to better understand the purchase behavior of our end-users, which in turn to further enhance our operating efficiency and management capabilities.
- We will continue to enhance our Bro Kooli brand. First, we will continue to enhance our brand awareness to attract more artists, approximately 10 over the next four years, to partner with our platform, which enable us to develop and launch more categories of pop toy products. Second, we plan to establish our in-house pop toy design department to enhance our in-house IP development capabilities. Third, in order to attract new pop toy fans and increase their stickiness, we plan to strengthen our marketing efforts to enhance brand influence. For example, we plan to attract fans through the pop toy conventions, autograph sessions, exhibits and other promotional activities.

We will also seek ways to potentially build new consumer product business or brands, including recruit approximately five consumer product designers with expertise in expanding a brand matrix into new verticals.

We plan to invest approximately HK\$[REDACTED] for this business strategy, which will be funded by a combination of net [REDACTED] from the [REDACTED], bank borrowings and our own funds. For details on the net [REDACTED] to be allocated for this purpose, see “Future Plans and Use of [REDACTED].”

Advance the full life cycle value chain and selectively pursue strategic acquisitions

In order to achieve our growth strategy, we plan to further advance our full lifecycle value chain and deepen the cooperation with other major market participants. We also plan to

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selectively pursue strategic alliances, acquisitions and investments along the full lifecycle value chain. For example, we are open to potential acquisition opportunities, such as popular and promising IPs in relation to metaverse to diversify our business.

- **Further Our Cooperation with Major Clients.** We will continue strengthening our collaborative relationships with our major clients, including developers of game products, to continuously improve our core competence in the mobile game industry. The collaborative relationships we have formed have contributed positively on our commercial image and formed an exemplary precedent for our future collaborations. Moreover, we aim to establish collaborative relationships with more promising innovative game developers to further supplement the game products we market and operate. More importantly, we plan to continue to enhance our abilities to provide precision marketing, in-depth operation and customized brand development strategies for our clients to enable them to prolong their product lifecycle and create more commercial value.
- **Strategic Partnership with Media Platforms.** We intend to deepen the collaboration with existing media platforms. We plan to explore opportunities to collaborate with media platforms with a large user basis to enable us to better promote the game products and other products developed by our clients.
- **Potential Investment and Acquisition Opportunities.** We plan to pursue acquisition and investment opportunities to strengthen our market position and enhance our competitiveness. We intend to focus on promising upstream and downstream participants in the digital mobile game industry value chain, including but not limited to app development studios, marketing technology companies, game developers with a track record of developing premium games and the capabilities to develop metaverse games, as well as fast consumer goods companies, to create synergies with our existing businesses and further expand our business boundaries.

We plan to invest approximately HK\$[REDACTED] for this business strategy, which will be funded by a combination of [REDACTED] from the [REDACTED], bank borrowings and our own funds. For details on the [REDACTED] to be allocated for this purpose, see “Future Plans and Use of [REDACTED].”

OUR ONLINE GAME PUBLISHING BUSINESS AND OTHER MARKETING BUSINESS

We are devoted to marketing and operating online games (in particular mobile games) in China. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. The top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022. In addition, according to Frost & Sullivan, our “Tan Wan” brand is an online game publishing brand widely accepted by Chinese players.

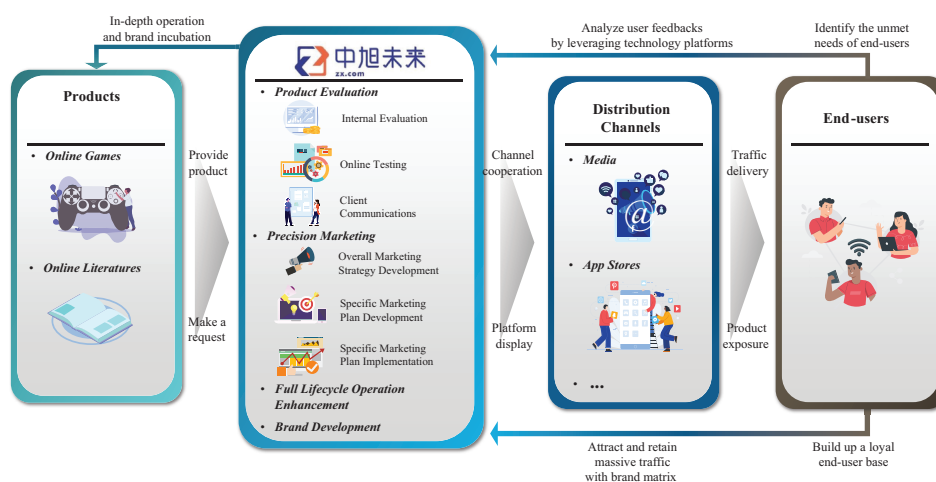
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We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game products we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. For each game product we market, we conduct initial data model evaluation, revenue forecast calculation and the brand effect analysis on the game product generated through the self-run model. We generally deliver game products marketed and operated by us to end-users through media platforms engaged by us under the self-run model and third party collaborating distribution channels under the joint-run model, such as Huawei App store or Xiaomi App store. Acknowledging the industry-wide trajectory towards maximizing monetization opportunities of mobile traffic through self-operated platforms, we strategically utilize the self-run model to increase the exposure of the game products we market and operate to target end-users at the initial marketing stage. We then make a determination on whether the joint-run model will be layered into this product, depending on whether the product satisfies our pre-set criteria and demonstrate the potential to generate organic traffic by leveraging resources from the collaborating distribution channel. We believe that utilization of both the self-run and the joint-run model in marketing a game product not only captures the digital market trend, but creates synergies in strengthening our monetization capabilities. For more details, please see “— Operation Models of Our Online Game Publishing Business.”

Our full lifecycle online game publishing business enables our clients, particularly the game developers, to expand and solidify the end-user base, which, in turn, enhances the monetization capabilities of the game products we market and operate. To enhance the monetization potential and lifecycle of a game product effectively, we perform deep analytics to optimize end-user engagement and behavior.

In addition to game products, we also export our core capabilities to enabling marketing of online literature products.

Going forward, we believe our precision marketing, in-depth operation and brand development capabilities will solidify our competitive position at the nexus of the mobile game industry, creating persistent competitive advantages that contribute to our growth and our clients’ success.



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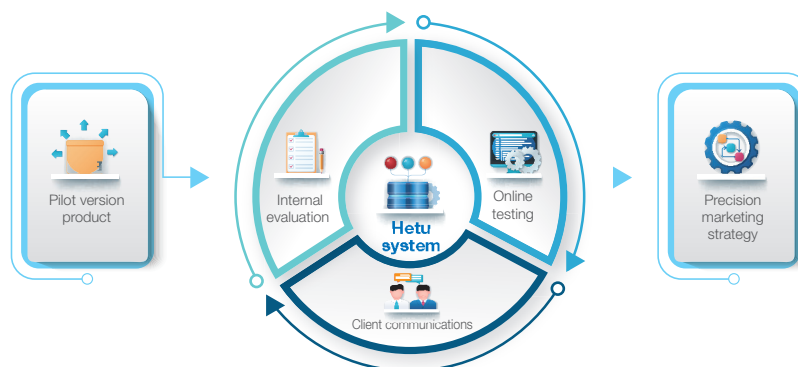
Service Flow of Our Online Game Publishing Business

The service process of our online game publishing business typically includes product evaluation, precision marketing, in-depth operation and brand development. This enables our clients, particularly the game developers, to increase and solidify the end-user base and enhance the monetization capabilities of the game products effectively. Our self-run model typically utilizes our internal resources to execute all the steps along this service process, depending on the particular needs of the product. Compared with the self-run model, our joint-run model leverages the collaborating distribution channels to achieve user acquisition, which in turn enhances the traffic monetization opportunities.

Game Product Evaluation

We believe our authentic and efficient product evaluation capabilities form the basis of our success and contribute to our continued growth. Game product evaluation, being the first and the most critical step in identifying products with the potential to realize a longer lifecycle. Our content department is mainly responsible for evaluating game products, developed by our clients based on our analysis and expectations of current and future market trends.

Our product evaluation process mainly focuses on three aspects: (i) performance evaluation, including product design, product functionality, in-game play experience, interactivity and the maturity and quality of the product in the pilot version; (ii) quantitative analysis, including game flow, payment rate analytics, churn rate analytics, interest point analytics, charging point analytics and milestone analytics; and (iii) online testing, which collects real-world feedbacks with a focus on whether the product performance meets our standards. The following chart sets forth our key steps in the product evaluation process.



Internal Evaluation

Our content department holds extensive industry experience in discovering and assessing suitable game products with potential for a longer lifecycle. During the Track Record Period, our content department had conducted internal evaluations of more than 300 game products. Our content department follows a set of standardized procedures in identifying and selecting potential game products to be marketed and operated. Typically, we request a game demo from

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the game developer to evaluate the competitiveness and monetization potential of the game product. Our content department typically assesses game demo based on its potential to be developed into an innovative game and provide players with better gameplay experience compared to existing games in the market. We also have a team of strategy analysts and game assessors within our content department, who are responsible for comparing and analyzing games available in the market, and predicting future market trends and end-users preferences. These evaluation results are used as a reference for online testing. Our content department plays an integral part in our internal procedures to better detect, prevent and mitigate IP infringement risks. First, before we enter into a collaboration agreement for a particular game product, our content department works closely with our legal department to look into background on the identity of the legal owner of the related IP associated with the game product. Second, the content department will report to the legal department any potential indicators of IP infringements during their internal evaluation of the key components of a game product. Third, the content department holds meetings with the legal department to discuss recent IP infringement incidents they discovered in game products operated by other publishers but within the same genre of potential game products we will market and operate. Fourth, as part of our efforts to formulate a stringent internal procedure, the approval of the content department is required for we launch a new game product.

Online Testing

We run pilot tests for the game products we market and operate to examine and forecast their penetration and monetization capabilities. Prior to launching, we employ a variety of testing procedures to estimate granular impacts on the product. Based on the testing data, we make judgments about the future acceptance and monetization of the product. The online testing procedures generally last for 15 to 30 days if the data generated from the pilot test can meet our key performance indicator requirements.

Our accumulated historical data generated from our service process and technology platform facilitates our intelligence analysis. In particular, we are able to identify and compare the performance of the potential commercially viable game products against the existing game products with similar features. This also allows us to better understand the key indicators of the potential products. Additionally, our technology platform reserves accumulated key indicators of various types of products which provide us with comprehensive analysis and prediction of end-use reactions. For example, our technology platform has accumulated a comprehensive historical key indicator library covering all mainstream game types on the market, which enables us to accurately analyze the key indicators of various types.

Client Communications

Based on the comprehensive results from the internal evaluation and online testing, we then proceed to collaborate with the qualified game product developer if its product has met our criteria. For the products that fail to pass our initial internal evaluation and online test but with potential for improvements, we will provide evaluation results, key performance indicators and optimization recommendations for their further amendments. We will consider initiating a new product evaluation process at a later stage for those products.

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Our reputation in the market enables us to select reputable game developers. Prior to entering into a framework service agreement to market and operate a particular game, we consider the criteria below when determining whether we should collaborate with a particular game product developer: (i) the experience of the game developer and the talents of the developer’s team; (ii) the developer’s track record for the delivery of games on time and within budget; (iii) historical sales performance of other games from the same game developer; (iv) the degree of likelihood that the target product can be developed on time and as envisioned; and (v) estimates of potential sales of the target product; (vi) whether the developer will be using technologies, such as game engines, with which the developer has successfully created games in the past; and (vii) the developer’s past releases on the platforms that the developer intends to use for the target product.

Precision Marketing

The overarching goal of our service process is to foster long-term end-users’ retention within our network through the implementation of a big-data model. The following flowchart illustrates the process of our precision marketing process:



Overall Marketing Strategy Development

Overall marketing strategy development involves the cooperation of multiple departments, including data department, operation department, marketing department and branding department. The development of overall marketing strategies mainly involves the following two steps:

- *Tipping Point Formation.* Based on our experience in precision digital marketing and end-user insights, we select the marketing tipping points of the game product considering its target user characteristics and IP introduction.
- *Marketing Budget and Return Parameters Determination.* We estimate the overall marketing budget and return parameters of the game product based on product evaluation. Our technology platform is able to calculate and gauge the best return estimate of a product based on key indicators. The best estimated return will be used as the core indicator throughout the whole marketing process. Our technology platform can also estimate the end-user engagement budget based on the product evaluation result.

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Specific Marketing Plan Development

Our marketing department will take the lead and work with the design, brand and operation team to design and develop a comprehensive marketing plan covering the full lifecycle of the game product based on our marketing budget. The development of a specific marketing plan involves:

- *Advertising Creatives Production.* We believe the end-user engagement lies at the center of advertisement creatives, which can adjust and optimize promptly to meet the preferences and browsing habits of a particular target user group. We are dedicated to offering a wide range of customized marketing materials for each game product. For online marketing, leveraging our big-data analytics and intelligence analytics capabilities, we are able to accurately identify the target user groups and create customized advertising materials to achieve precise end-user reach and engagement. For offline marketing, we prefer arranging multi-dimension offline marketing activities at featured landmarks with special events or festivals, such as hosting offline film-game integration sessions with game players, launching advertising campaigns at local trendy attractions and holding game role play shows with industry leading collaborating distribution channels. Our continuous offline promotion activities can deepen the impression of the game product and brand awareness in target user groups. We constantly optimize and adjust the advertisement creatives of each product. By designing and optimizing online and offline integrated advertisement creatives, we are able to continuously attract and retain high-value target user groups for our clients.
- *Selection of Collaborating Media Platforms.* Our collaboration network covers most of China’s leading online and offline media platforms. Our marketing and branding departments jointly determine the allocation of the end-user engagement budget and select suitable collaborating media platforms for each game product.
- *Celebrity Endorsement.* We are one of the first companies in the mobile game industry to engage celebrity endorsement for promotion and marketing. We have accumulated extensive experience in selecting suitable celebrity spokespersons. We have cooperated with more than 30 celebrity spokespersons to enhance brand development and marketing of game products. Leveraging our intelligence analytics capabilities, we choose spokespersons with fan groups similar to those that might be the target user groups of the marketed product. We have gradually expanded our selection of spokespersons to a variety of newly emerged influencers, including live streamers and video game commentators, among others. We believe our marketing model is in line with the latest industry trends and able to bring brand effect and fan effect in the marketing of the game product. Our Hetu (河圖) system can monitor and analyze the promotion effect of marketing materials of the spokesperson due to its ability to correlate events across multiple sources to discover patterns, identify trends and predict outcomes across millions of data to understand changes in end-user behavior as a result of the promotion efforts by the spokesperson, as well as the distribution effects generated from various distribution channels.

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Specific Marketing Plan Implementation

We have built extensive analytics capabilities and proprietary technology infrastructure to support data-driven marketing plan implementation. Our implementation of the marketing plan primarily focuses on the efficient acquisition of end-users. Our extensive technology infrastructure allows us to invest in marketing campaigns in a highly granular and data-driven way. Key features of our marketing plan implementation include the following:

- *Leveraging Brand Effect to Achieve User Acquisition.* The game products are primarily operated under our “Tan Wan” brand. Leveraging this widely accepted platform, we are able to attract large numbers of end-users for whom there is no direct marketing expense associated with our acquisition of those end-users.
- *Value-Driven Approach.* We apply rules-based processes based on estimated end-user lifetime value to our on-network marketing programs. The nature of the lifetime value is an estimated figure based on trend performance of the game product and a set of criteria including region, game and cohort (i.e., target end-user group). We frequently refresh these clusters and adjust them based on our acquisition strategies. This value-driven approach assists us in forming our marketing campaigns.
- *Systematic Multi-Channel User Acquisition.* We make substantial investments in end-user acquisition. As the game products we market are distributed on multiple devices, we deploy our campaigns across a wide mix of social and mobile channels. Leveraging the variety of data generated from cross-platform distribution, we believe we can deliver high returns for the games in long run as compared to our competitors on a single platform. Our data scale and channel diversification contribute to the economy of scale. We operate thousands of campaigns targeting hundreds of discrete clusters through a mix of channels and formats across multiple platforms, subject to the tailored product-specific target return parameters. We regularly monitor the results of our digital marketing campaigns.

With respect to online engagement implementation, we monitor and analyze key operation data of the game products we market and operate with our intelligent engagement platform. Leveraging our data analytics capabilities, we are able to evaluate the performance of our marketing campaigns effectively and further optimize our distribution strategies. We group our users based on their lifetime value and provide customized VIP services to high-value users. Leveraging our Luoshu (洛書) system, we are able to evaluate our marketing strategies through product-specific return parameters and reach and share distribution data in time, which enables us to update and optimize our online marketing materials on a daily basis to ensure their attractiveness to target users. As of April 30, 2023, we had established business partnerships with more than 220 collaborating online media platforms.

With respect to the offline engagement implementation, our branding department determines the advertisement type, timing and location of our offline marketing

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campaigns based on our marketing plan. We design and launch various offline marketing activities at different stages of a product to enhance the long-tail effect of our marketing strategies. For example, celebrity spokespersons for games can generate brand effects and fan effects in product promotion, thereby reducing the cost of attracting new users.

Full Life Cycle Operation Enhancement

We continue to strengthen our abilities to refine and optimize the full lifecycle operation to foster long-term end-users retention. We believe our full lifecycle operation enhancement capabilities set us apart from our competitors. Since our inception, we have enabled marketing and operation of 11 game products for more than five years and 28 game products for more than three years. Set forth below are the highlights of our full lifecycle operation enhancement capabilities.

- *Full Lifecycle In-depth Operation.* We provide in-depth operation for the game products we market and operate throughout their lifecycle. For example, we initially advise our clients on game product design, product optimization, launch schedules and promotion strategies based on online testing results. Prior to the official launch of a product, we provide game development feedback package for the next one to two months following its launch as to maintain the end-user freshness and increase end-user stickiness. Afterward, we also monitor system logs and user actions regularly and provide recommendations for product design, promotion strategies and end-user retention plans. Our marketing department works closely with our operation department and provides feedback to them from time to time during the product operation stage.
- *Proactive Full Lifecycle End-User Retention and Management.* In addition, our in-depth operation capabilities aim to address one of the common challenges for game developers, which is end-user churn. Our insights powered by machine learning and our big data analytics tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing end-user retention and engagement potential and resulting in a higher lifetime value. Our technology platform ingests and analyzes disparate parameters to generate views of behavior analysis, the likelihood of player churn and in-game purchase intent, which are then translated into marketing campaigns for highly targeted end-users across specific marketing channels we choose to integrate. Notably, our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings.

In addition, we maintain a comprehensive user management system. We provide one-on-one exclusive VIP services for high-value end-users (i.e. top up amount per year over RMB50,000) and are dedicated to solving issues for them in a more timely and efficient manner. We regularly communicate with end-users through multiple channels and collect user’s feedback to understand their expectations and improvements. Moreover, we create operation campaigns and hold certain offline events for VIP user

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groups (i.e. top up amount per year between RMB3,000 and RMB50,000) from time to time to encourage them to play, increase their willingness to pay and enhance their sense of belonging to the game products we market and operate.

We have adopted a comprehensive approach in effectively identifying and managing competition among the game products marketed and operated by us. First, none of the game products we market and operate is the same. Each game product we market and operate has gone through the internal evaluation by our content department, and we only select game products with different characteristics in terms of genre or sub-genre, game features, artistic designs, gaming strategies, user age-appropriateness, and competition from other similar game products. Accordingly, the expected level of competition with a game product’s niche is different. Second, we work with our clients to manage the game release date to manage the expected level of competition within the game’s product niche. The game entry decision is made based on our evaluation of the competition level of the specific niches in the online game market, including estimating the degree to which end-users may substitute across and within the different game products that fail in the same niche or sub-niche. Third, in the unlikely event that competition occurs among the game products we market and operate, we will work with our clients to consider inclusion of additional game features to attract end users of different groups to prolong the lifecycle of the game product.

Brand Development

Our brand development capabilities are two-fold. First, we distinguish ourselves from our competitors by providing tailored brand development solutions to our clients, in particular, developers of mobile game products. Our brand development capabilities have enabled us to enhance the brand awareness and penetration of game products and thus build a structured long-lasting IP or IP matrix. Second, benefitting from our continued success in end-user acquisition and retention, more end-users have begun to recognize our own brand. This, in turn, provides us with an opportunity to create and develop our own consumer product brands, such as the instant food brand established in late 2020 — “Zha Zha Hui.” We are working on cultivating our own brands across industries based on the latest consumer preferences and trends and with highly recognizable characters. For a detailed description of our capabilities to create and develop our home brands and contents, see “— Consumer Product Business.”

We believe a brand development strategy is a long-term plan designed to increase the value of a game product we market and operate and differentiate it from competitors and increase its impact among players. As a team, we start with the definition first by we defining what the game product is. To do this, we play the game as a whole team, from marketing to operations, and start to shape the answers to the questions in our minds by thinking like a player. The answers to all these questions are the cornerstones that will guide us to the next steps. In the competitive environment of the online game industry, we analyze the competitors in every detail, using the cornerstones we found at the beginning, to distinguish the game product we are working on from the others, and we aim to create a creative difference that will attract the attention of the players. For example, with this difference, we work with the game developer to create a key theme setup for the game product we market and operate that will appeal to the player. This theme aims to

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grab the attention of the players, so the popularity and lifecycle of the game product benefits from the emotional echo associated with the theme we set up, too.

Our typical brand development process for our clients’ game products involves the following key steps:

- *Brand development design thinking.* This phase involves brand development design thinking on the game product based on our dynamic data analysis on the preference of the target end-user group. Our design aims to address the needs and preferences based on user profiles generated through our extensive experience in the online game publishing business. In order to further reinforce the notion of user-driven brand development process, we also conduct online surveys during the product design thinking stage to better understand the demand and trends of the market.
- *Brand development strategy validation and readiness.* In this phase, we push to finalize the brand development strategy and run validation models to ensure everything makes sense. We evaluate whether the brand’s themes, visual settings and industry sector could address the preference of the target end-users. We adjust the brand development strategies from time to time with the goal of satisfying the needs of the target end-users with a wider range of product portfolios based on our algorithm-based data analysis results. Our brand development team supports our client in crafting a strong, long-lasting branding and IPs.
- *Media appearances, partnership drive and beta tests.* In this phase, we will be helping our client’s brand interact with the media, running beta tests with real end-users and securing branding partnerships for the brand and IP to discover any needs for iterations. During this phase, we will be exhibiting our brand development solutions through relevant platforms and running mini-pilots in different regions and channels to test brand acceptance.
- *Media and PR monitoring and evaluation, and brand scale planning.* In this phase, we will be doing media and PR activations as we monitor and evaluate the brand development strategy to plan for a potential branding scale strategy to build an expanded brand/IP matrix surrounding the related product we market.

Operation Models of Our Online Game Publishing Business

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game product we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. During the Track Record Period, the substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%, 82.8%, 72.2%, 73.0% and 65.1% of our revenue from online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

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Under the self-run model, we enable precision marketing, in-depth operation and brand development of the game products utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions. Under this model, we integrate all the components of our service flow for the particular game products we market and operate, and utilize our internal resources to execute all the steps along this service process, depending on the particular needs of the product.

Under the joint-run model, we leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game product. These collaborating distribution channels are mainly mobile application stores, through which we can further increase the coverage of end-users. In other words, we draw upon a portion of product distribution and end-user acquisition capabilities from external sources and channels, which also allow the end-users to experience the game product through such external channels on the mobile end.

For each game product we market, we conduct initial data model evaluation, revenue forecast calculation and the brand effect analysis. Acknowledging the industry-wide trajectory towards maximizing monetization opportunities of mobile traffic through self-operated platforms, we strategically utilize the self-run model to increase the exposure of the game products we market and operate to target end-users at the initial marketing stage. We then make a determination on whether the product is suitable to be layered into the joint-run model, which depends on whether the product satisfies our pre-set criteria and demonstrate the potential to generate organic traffic by leveraging resources from the collaborating distribution channel. We believe that utilization of both the self-run and the joint-run model in marketing a game product not only captures the digital market trend, but creates synergies in strengthening our monetization capabilities.

Other Marketing Business

In addition to game products, we also export our core capabilities to enabling distribution of online literature products during the Track Record Period.

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, the revenue generated from marketing online literature products amounted to RMB0.9 million, RMB32.3 million, RMB38.0 million, RMB16.5 million and RMB34.1 million, respectively. During the Track Record Period, the revenue generated from marketing online literature products accounted for less than 1.5% of our total revenue. During the four months ended April 30, 2023, we had 45 online literature products marketed by us. The following table sets forth the number of the online literature products marketed for the years/periods indicated.

	For the Year Ended December 31,			For the Four Months ended
	2020	2021	2022	April 30, 2023
Online literature products	5	26	33	45

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Our Game Product Portfolio

The game products developed by our clients and operated by us are delivered to players under the online game publishing brand “Tan Wan.” During the Track Record Period, our game product portfolio primarily consisted of games developed by developers of different sizes. The game products we market and operate are typically long-lasting in nature and are featured with fun and creative characteristics. In addition, we upgrade and release new features with customized elements targeting different end-user groups. By doing this, we are able to reach a broad and active player base and foster long-term end-users retention for game developers.

Since our inception, we have marketed and operated over 310 game products. As of April 30, 2023, we had 90 game products in operation. We expect the portfolio of the game products we market and operate to expand in the foreseeable future as we continue to develop and solidify business relationships with game developers.

The table below sets forth the number of the game products in operation, newly launched and terminated during the Track Record Period and up to the Latest Practicable Date.

	For the Year Ended December 31,			For the Four Months ended April 30,	Subsequent to April 30, 2023 and up to the Latest Practicable Date
	2020	2021	2022	2023	Date
Number of Games					
Total⁽¹⁾					
In operation at the beginning of the year/period	59	49	71	105	90
Newly launched	24	73	101	22	17
Terminated ⁽²⁾	34	51	67	37	14
In operation at the end of the year/period	49	71	105	90	93
Self-run model					
In operation at the beginning of the year/period	58	48	70	100	86
Newly launched	24	72	97	21	17
Terminated ⁽²⁾	34	50	67	35	16
In operation at the end of the year/period	48	70	100	86	87
Joint-run model					
In operation at the beginning of the year/period	23	22	33	52	48
Newly launched	6	19	24	5	12
Terminated ⁽²⁾	7	8	5	9	10
In operation at the end of the year/period	22	33	52	48	50

Notes:

(1) While a certain version of a game product can only be operated under a designated model (i.e. either self-run or joint-run), a game product’s different versions may be operated concurrently under the two different models. In practice, we typically assign an internal “version” number to each of the collaboration distribution channel through which the end user may access the game (for example, different application stores or other online

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distribution channels), so that we can distinguish and track the gross billings derived from the different channels through which the end users make their in-game virtual item purchases. As a result, the total number of games at a given time may be lower than the sum of games under the self-run model and those under the joint-run model.

- (2) Game products are terminated based on following criteria: (i) the lifecycle of a game product comes to an end; and (ii) the test data of a game product does not meet our standard.

As of the Latest Practicable Date, we had 93 game products in operation. As of the same date, the remaining useful life of the game products in operation ranged from less than one year to eight years.

In addition, we measure the performance of the game products we marketed and operated as a whole by the following key operating metrics: (i) average MAUs, (ii) average MPUs, (iii) average monthly ARPPU, (iv) retention rate of active users (“AUs”), (v) retention rate of paying users (“PUs”), (vi) conversion rate of PUs from AUs, (vii) gross profit, (viii) gross profit margin, (ix) acquisition cost per new user, (x) total cumulative registered players, and (xi) number of PUs. The following table sets forth these operating metrics during the Track Record Period.

	For the Year Ended December 31,			For the Four Months Ended
				April 30,
	2020	2021	2022	2023
Average MAUs (in thousands)	5,093.2	7,165.8	10,003.2	9,404.0
Average MPUs (in thousands)	660.6	1,121.7	1,770.4	1,165.8
Average monthly ARPPU (RMB)	362.2	421.5	403.4	500.2
Retention rate of AUs ⁽¹⁾ (%)	7.5	10.1	8.1	5.4
Retention rate of PUs ⁽¹⁾ (%)	8.2	10.3	8.2	3.5
Conversion rate of PUs from AUs ⁽²⁾ (%)	13.0	15.7	17.7	12.4
Gross profit (RMB in thousands)	2,438,490	4,693,598	6,284,427	1,648,604
Gross profit margin (%)	84.9	82.7	73.4	67.3
Acquisition cost per new user ⁽³⁾ (RMB)	37.4	58.3	42.6	20.5

	As of December 31,			As of
				April 30,
	2020	2021	2022	2023
Number of cumulative registered end-users ⁽⁴⁾ (in millions)	167.2	230.5	356.1	418.0
Number of PUs ⁽⁵⁾ (in millions)	4.9	9.6	15.2	3.5

Notes:

- (1) The retention rate of AUs or PUs is the percentage of the AUs or PUs we had in the previous calendar year or corresponding period that we continue to retain during the current calendar year or period, as applicable.
- (2) The conversion rate of PUs from AUs represents the ratio of MPUs to MAUs in a given period.
- (3) The acquisition cost per new user represented the marketing and promotion expenses incurred for acquiring a new game user for a game product we marketed and operated in a given period.

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- (4) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each period.
- (5) The number of PUs are calculated as of the end of each period.

During the Track Record Period, the fluctuation in our retention rates and churn rates (the latter calculated as 100% minus our retention rates for the respective year/period) were mainly affected by our marketing and promotion activities and the lifecycle stages of the game products in operation, among other factors. For example, our retention rate of AUs and PUs increased in 2021, and our churn rate decreased accordingly, primarily because we enhanced our advertising campaigns and marketing efforts towards the end of 2020 to promote our game products.

In addition, the table below sets forth details of the five game products that contributed the most to our revenue during the Track Record Period.

<u>Title</u>	<u>Description</u>	<u>Game Format</u>	<u>Source⁽¹⁾</u>	<u>Official Launch Date</u>	<u>Estimated Lifecycle Stage⁽³⁾⁽⁴⁾ as of April 30, 2023</u>	<u>Remaining Useful Life⁽³⁾ as of April 30, 2023</u>
Legend of Origin (原始傳奇)	An MMORPG game featuring attractive realistic scenes and magical arrays	Mobile	Licensed	June 2020	Maturity	5 years
Legend of Guyun (古雲傳奇)	An MMORPG game, featuring unique game gears and innovative gameplay which allows players to play three different roles	Mobile	Self-owned ⁽²⁾	July 2018	Maturity	3 years
Blooded Attack (熱血合擊)	An MMORPG game, focusing on the combined gameplay	Mobile	Licensed	March 2021	Maturity	3 years
Legend of National War (國戰傳奇)	An MMORPG game, featuring retro style and innovative gameplay	Mobile	Licensed	November 2021	Maturity	3.5 years
Blade of Freedom (自由之刃)	An MMORPG game, featuring exquisite graphics with real-time combat gameplay	Mobile	Licensed	April 2022	Growth	4 years

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Notes:

- (1) We are authorized by the related IP holder(s) of a licensed game product to market and operate such game product in China. We own the related IP rights associated with a self-owned game product.
- (2) We acquired the full ownership of Legend of Guyun (古雲傳奇) in January 2022. Prior to our acquisition of its full ownership, this game product had been marketed and operated by us pursuant to an authorization from then third-party game developer, Client A. Through arms-length negotiation with Client A, we acquired full ownership of Legend of Guyun at a consideration of RMB50.0 million, a price we believe to be reasonable based on a thorough internal assessment of the game’s commercial potential. We had also taken into account the ongoing IP infringement proceeding (Lawsuit C) to which the game was subject at the time of the acquisition. However, the monetary damages the plaintiffs in Lawsuit C are entitled to will likely not exceed RMB2.85 million, which are insignificant compared to the total consideration of the acquisition. For more details on Lawsuit C, see “— Legal Proceedings and Compliance — Legal Proceedings.”
- (3) Expected lifecycles (years) are estimated based on the industry average lifecycles by different genres of games, our past experience of operating similar games and gross billings generated by the relevant game as of April 30, 2023. We believe our estimations are accurate in the past and consistent with the industry practice. However, the actual lifecycles of these game products may differ from the time presented in the table.
- (4) According to Frost & Sullivan, game products generally experience three stages in their lifecycles, namely growth stage, maturity stage and recession stage. The growth stage refers to the period which the game publisher builds up an end-user base and achieves market coverage. The game product at maturity stage tends to generate revenue continuously and the number of end-users remain stable. The recession stage refers to the period which end-users and revenue generated by the game product starts to decline. For details, please see “Industry Overview — The Mobile Game Industry in China — Lifecycle and Industry Value Chain of Mobile Games.”

Case Study—Legend of Origin (原始傳奇)

Launched in June 2020, Legend of Origin (原始傳奇) is an MMORPG game. Players can enjoy adventures with their companions in the virtual game world and experience various playing methods. This game offers an attractive realistic scenes and magical arrays, which provides a delightful game experience and joy for our players. We have actively participated in the precision marketing, in-depth operation and brand development process for this game product. Some highlights of our enabling capabilities on this game product include the following:

- *Technology-led insights.* We empower Legend of Origin to target, connect and engage end-users through our machine learning algorithms that could deliver personalized marketing campaigns after adjusting the end-user acquisition cost. Our algorithms dynamically adjust the end-user acquisition cost based on a combination of the product-specific return parameter target and the predicted lifetime value of an end-user.
- *Data-centric rules-based approach.* We use a data-centric rules-based approach aimed at optimizing aggregate product-specific return parameter to retain end-users. We have predictive tools that automatically promote actions for Legend of Origin that will improve lifetime value of end-users through the personalization of content and monetization strategies. Our data-driven approach to user engagement continues to implement enhanced features to keep the game’s longevity and increase user stickiness.
- *Tailored end-user retention.* We pay particular attention to retention and content consumption rates to build and continuously strengthen the relationships with

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end-users. We take a proactive role in end-user retention in which machine learning and sophisticated client relationship management tools enable our clients to understand the behaviors of end-users within the game and to take action to improve user experiences. We encourage end-users to participate in the process of co-creation and engage in word-of-mouth promotion to attract potential users. Our customized end-user retention plan has not only emphasized the attractiveness of game products, but created the notion of brand awareness.

- *Product-specific operation enhancement.* We are proactively involved in game progression pace, in-game purchase bundles and difficulty setting work streams for Legend of Origin. At the initial stage of the launch of the game, we focused on creating popular topics on the collaborating media platforms and promoting the interests of end-users. Afterwards, we focused on maintaining and enhancing product awareness by engaging various celebrities and creating hot topics on the online social media platform, which in turn generated brand recognition and fan effects. In respect of offline marketing, we also market through a multi-scene distribution approach for wider user penetration. The combination of online and offline marketing allows the end-users to accumulate adequate enthusiasm, which in turn further enhances brand recognition. At the same time, we tailored and prepared a brand development plan and product enhancement suggestions based on user behavior analysis, aiming to create the brand effect and prolong the lifecycle of Legend of Origin.

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The following table sets forth the revenue recognition, key operating metrics and game developers of the five game products that contributed the most to our revenue in each year/period during the Track Record Period.

Top five game products	Revenue (RMB in thousands)	Average MAUs (in thousands)	Average MPUs (in thousands)	Average monthly ARPPU (RMB)	Retention rate of AUs ⁽¹⁾ (%)	Retention rate of PUs ⁽¹⁾ (%)	Conversion rate of PUs ⁽²⁾ (%)	Acquisition cost per new user ⁽³⁾ (RMB)	Number of cumulative registered end-users ⁽⁴⁾ (in millions)	Number of PUs ⁽⁵⁾ (in millions)	Game developer ^(†) /publisher ^(*)
For the year ended December 31, 2020											
Game A	1,480,019.4	2,307.8	319.5	386.0	6.6	7.0	13.8	50.6	44.0	2.3	Client A†
Game B	387,506.2	819.0	106.9	517.9	N/A	N/A	13.1	38.4	4.6	0.6	Client B†*
Game C	273,843.0	670.9	36.5	624.8	7.0	10.5	5.4	22.4	10.8	0.3	Client C†
Game D	168,717.0	834.3	208.5	115.6	N/A	N/A	25.0	—	4.2	1.0	Client E†*
Game E	148,603.6	286.7	31.7	391.1	9.0	6.6	11.0	0.3	7.6	0.3	Client D†
For the year ended December 31, 2021											
Game A	1,370,291.1	1,797.0	246.6	463.1	6.8	5.4	13.7	74.1	57.9	1.9	Client A†
Game F	1,243,747.0	1,292.5	284.5	437.2	N/A	N/A	22.0	71.6	9.9	2.3	Client B†*
Game B	1,047,618.8	1,009.6	129.4	674.4	10.8	14.6	12.8	26.0	12.3	1.0	Client B†*
Game G	813,804.5	923.0	174.4	388.9	N/A	N/A	18.9	82.7	8.7	1.7	Client C†
Game H	304,656.4	261.7	59.5	426.5	36.7	51.1	22.7	92.1	2.5	0.6	Client C†
For the year ended December 31, 2022											
Game I	1,547,625.7	2,045.2	463.5	371.0	N/A	N/A	22.7	83.9	15.7	4.4	Client F†
Game J	1,309,111.4	1,139.8	255.8	426.4	16.3	13.2	22.4	80.7	11.8	2.5	Client C†
Game A	1,145,595.1	1,054.3	153.1	623.5	6.2	5.5	14.5	31.2	63.5	0.7	Client A†
Game B	1,108,298.6	1,298.4	165.5	557.9	10.7	10.6	12.7	35.4	22.1	1.3	Client B†*
Game F	640,526.1	481.9	89.1	598.9	4.3	3.1	18.5	29.7	13.6	0.8	Client B†*
For the four months ended April 30, 2023											
Game B	386,313.3	1,673.2	148.2	651.5	9.3	5.1	8.9	28.9	26.2	0.4	Client B†*
Game I	343,110.8	945.6	114.3	750.4	0.8	0.3	12.1	35.1	18.5	0.3	Client F†
Game A	267,090.4	1,547.7	157.1	425.1	11.8	13.2	10.1	59.3	65.9	0.4	Client A†
Game K	199,686.3	401.0	86.5	577.2	3.9	1.8	21.6	126.6	5.7	0.3	Client C†
Game F	148,436.3	345.2	56.3	659.4	3.5	2.8	16.3	5.0	14.5	0.2	Client B†*

Notes:

- (1) The retention rate of AUs or PUs is the percentage of the AUs or PUs we had in the previous calendar year or corresponding period that we continue to retain during the current calendar year or period, as applicable.
- (2) The conversion rate of PUs from AUs represents the ratio of MPUs to MAUs in a given period.
- (3) The acquisition cost per new user represented the marketing and promotion expenses incurred for acquiring a new game user for a game product we marketed and operated in a given period.
- (4) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each period.
- (5) The number of PUs are calculated as of the end of each period.

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Our Game Pipeline

We continue investing in improving our approach and expanding the portfolio of game products. As such, we have established a pipeline that we deem viable for future precision marketing, in-depth operation and brand development.

We expect to launch 30 to 50 new game products in 2023, including role-playing game (RPG), casual game and simulation game (SLG). Among the game products we expect to launch in 2023, we will continue to focus on the marketing and operation of RPG products based on our current market analysis. We also plan to expand the genres coverage of our game pipeline, including casual games and SLG, to identify and capture new market opportunities in the next few years.

We establish and expand our game portfolio based on the following measures: (i) we select game products based on our product evaluation process. See “—Our Online Game Publishing Business and Other Marketing Business—Service Flow of Our Online Game Publishing Business” for more details; (ii) we have built extensive analytics capabilities and proprietary technology infrastructure to support data-driven product implementation. It allows us to better assess the needs of our end-users, which in turn assists us to streamline the selection process for our product portfolio; and (iii) before including a game product in our portfolio, we closely review the experience of the game developer and the talents of the developer’s team, the developer’s track record for the delivery of games on time and within budget; historical sales performance of other games from the same game developer; the degree of likelihood that the target product can be developed on time and as envisioned; estimates of potential sales of the target product; whether the developer will be using technologies, such as game engines, with which the developer has created games in the past; the developer’s past releases on the platforms that the developer intends to use for the target product; and the extent of the developer’s existing social community and fan base, as well as the social community and fan base of any game franchise to which the target product will belong.

The table below sets forth the number of games in our game pipeline as of the dates indicated. The number of games in our game pipeline decreased in 2022 as we have decided to optimize our game portfolio by launching game products with better quality that we believe can attract and retain more end-users.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
Number of games in game pipeline	<u>85</u>	<u>83</u>	<u>65</u>	<u>70</u>

The following table sets forth certain information in relation to our game pipeline that we deem most important. We have selected the following product candidates based on our internal evaluation results, taking into account a variety of factors, including the estimated lifecycle, innovation of the gameplay, monetization potential, estimate payback period and estimated market reception of each product candidate. In particular, we anticipate each of the following

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product candidates to have an estimated lifecycle of over three to five years, with the potential to realize long-lasting effects. Leveraging our comprehensive historical key indicator library, we are able to give an internal estimate of the potential MAUs, MPUs and ARPPU for the commercially viable game products in our pipeline and do an internal comparison against each other.

Internal Product Code	Source	Format/Genres⁽¹⁾	Development stage as of the Latest Practicable Date⁽¹⁾	Expected launch date⁽¹⁾
New Game A	Licensed	Mobile/MMORPG	Game internal testing and optimization	2023Q3-Q4
New Game B	Licensed	Mobile/RPG	Game internal testing and optimization	2023Q3-Q4
New Game C	Licensed	Mobile/MMORPG	Game internal testing and optimization	2023Q4-2024Q1
New Game D	Licensed	Mobile/MMORPG	Game internal testing and optimization	2023Q4-2024Q1
New Game E	Licensed	Mobile/SLG	Game internal testing and optimization	2024Q1-Q2
New Game F	Licensed	Mobile/Card game	Game development	2024Q1-Q2
New Game G	Licensed	Mobile/Casual game	Game development	2024Q1-Q2
New Game H	Licensed	Mobile/MMORPG	Game development	2024Q2-Q3

Note:

(1) Our game pipeline is indicative as of the Latest Practicable Date. The format/genre, expected launch date, marketing and operation model and other information of each game in the pipeline may be subject to change according to their respective development status.

Massive Player Network and Loyal End-User Base

Our clients, primarily game developers, rely on us to leverage our expertise in monetization of online games and marketing analytics technologies to attract and retain end-users for the game products they develop. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand, which serves as our marketing and operation engine that helps our end-users identify game products we publish for our game developer clients. Our “Tan Wan” brand has amassed and nurtured a vibrant community of players on various game products that we market and operate. As of April 30, 2023, the game products we marketed and operated under our “Tan Wan” brand had accumulated 418.0 million registered users.

We take the following measures to create and maintain a vibrant Tan Wan community for players.

First, as an important component of our strategy to elevate user experience, we pay particular attention to the needs of middle-aged adult players, who we believe represent a nostalgia-driven and brand-conscious group that acknowledges value from game products with potential for a longer lifecycle and poised to expand their purchasing power because of the superior user experience. We believe delighting our Tan Wan community players with a superior game experience represents a significant opportunity for us to retain and expand our user base.

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Second, we focus heavily on building long-term relationships with these players, and in particular on our ability to retain them over the long term. We have a track record of attracting our audience to new games and retaining them within our network. As an example of our success in attracting and retaining users, as of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. Furthermore, for the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated, and during the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. We aim to first attract players to download the game products we market and operate through our precision marketing efforts and attract new players through word-of-mouth promotion. Second, we work with game developers to develop games with features that will motivate players to make purchases within the game products we market and operate, and then finally to enhance the number of purchases made by our end-users. We believe the longevity of our end-user base is a result of our continued release of new levels and content, and cross-promotion. The longevity of our end-user base is highlighted by our ability to enable marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023, showing stickiness and dedication of our end-users. The longevity of our end-user base is also highlighted by our ability to achieve an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated for the four months ended April 30, 2023, and the average monthly revenue per paying user (ARPPU) of RMB411.1 for all the game products we marketed and operated during the Track Record Period. To drive retention and cross-promotion, we use a data-centric, rule-based approach aimed at enhancing aggregate product-specific return parameters, regardless of content, channel or advertising format. This rule-based approach to drive user retention is a value-driven approach based on maximized end-user lifetime value to our on-network marketing programs. The nature of the end-user lifetime value is estimated based on our Hetu (河圖) and Luoshu (洛書) systems with assumptions and trend performance of the game product and a set of criteria including region, game and cohort (i.e., target end-user group). We frequently refresh these clusters and adjust them based on our acquisition strategies, and systemically review the effectiveness of our measures to optimize our end-user lifetime value. Our technology infrastructure allows us to actively manage and prioritize these communications to our audience in a way that increases the long-term value of our network.

Third, we highly value players’ feedback on the game products we market and operate. As early as the pilot testing stage, the testing data help us to verify the games’ designs, core gameplay, player experiences and overall commercial potential so that we can communicate with the third-party game developers, and adjust and optimize the development strategies in a timely manner. We also proactively seek players’ feedback on the game products we market and operate through organizing online and offline player activities to enhance players’ sense of belonging and identification with us. For example, we organize offline events for our players, including group games and communications between our players and our operation team.

Fourth, we attract players to our Tan Wan community through our various tailored precision marketing strategies, and we retain players by organizing activities and encouraging player interactions via our official accounts on various social media platforms. We have a dedicated operation team that manages the player community accounts and actively interacts

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with the community participants. Through the Tan Wan community, the players can receive from us latest information about the games we market and operate, including recent events we organize, opportunities to participate in testing the new games launched and free in-game virtual items. We also proactively seek players’ feedback on the games we market and operate and organize online and offline player activities to enhance players’ sense of belonging and identification with us.

The following table sets out a breakdown of the total number of paying users by top up amount (in terms of gross billings) during the Track Record Period.

Top up amount per year (RMB)	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	Number of paying users (in thousands)	%	Number of paying users (in thousands)	%	Number of paying users (in thousands)	%	Number of paying users (in thousands)	%	Number of paying users (in thousands)	%
0-3,000	4,609.7	94.7%	9,219.8	96.3%	14,632.4	96.5%	5,317.6	96.3%	3,337.1	95.1%
3,000-50,000 (VIP users)	239.8	4.9%	332.5	3.5%	499.5	3.3%	192.2	3.5%	163.1	4.6%
Over 50,000 (High Value Users)	18.1	0.4%	25.1	0.3%	34.7	0.2%	9.7	0.2%	8.3	0.2%
Total	4,867.6	100.0%	9,577.4	100.0%	15,166.6	100.0%	5,519.4	100.0%	3,508.6	100.0%

Note: The above total number of paying users represents paying users who have made at least one purchase in our game products during the respective year/period. A user who makes more than one purchase in such year/period in the same game is counted once only.

The following table sets out the breakdown of the gross billings contributed from our top 1%, 3%, 5%, 10%, 20% and 50% paying users (by gross billings amount) during the Track Record Period.

Top paying user group	Number of paying users (in thousands)	Average gross billings (RMB)	Range of gross billings (RMB)	Total gross billings of this group (RMB'000)	Percentage in the total gross billings of our Group
For the year ended December 31, 2020					
1%	48.7	63,814.2	>22,100	3,106,410.8	55.4%
3%	146.0	29,117.7	>6,589	4,252,029.0	75.8%
5%	243.4	19,325.2	>3,280	4,704,612.2	83.9%
10%	487.0	10,611.0	>1,092	5,167,513.5	92.2%
20%	973.6	5,587.8	>263	5,440,029.1	97.0%
50%	2,471.6	2,259.0	>30	5,583,365.1	99.6%
For the year ended December 31, 2021					
1%	95.8	51,432.8	>15,290	4,926,589.4	60.2%
3%	287.3	22,424.8	>4,190	6,443,539.3	78.7%
5%	479.0	14,595.1	>2,010	6,991,059.4	85.4%
10%	958.7	7,874.4	>676	7,549,125.0	92.2%
20%	1,949.3	4,054.5	>200	7,903,313.0	96.5%
50%	4,872.0	1,671.6	>30	8,143,822.9	99.4%

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Top paying user group	Number of paying users (in thousands)	Average gross billings (RMB)	Range of gross billings (RMB)	Total gross billings of this group (RMB'000)	Percentage in the total gross billings of our Group
<i>For the year ended December 31, 2022</i>					
1%	148.2	46,123.8	>13,238	6,834,165.6	60.1%
3%	444.5	19,935.8	>3,642	8,860,766.2	77.9%
5%	741.1	12,965.5	>1,760	9,608,152.1	84.5%
10%	1,481.8	7,000.1	>626	10,372,484.6	91.2%
20%	2,971.7	3,670.3	>202	10,907,164.7	95.9%
50%	7,883.5	1,433.4	>30	11,300,489.9	99.4%
<i>For the four months ended April 30, 2023</i>					
1%	35.1	45,116.2	>16,484	1,583,261.3	49.8%
3%	105.3	21,212.4	>5,486	2,233,093.9	70.3%
5%	175.4	14,322.7	>2,915	2,512,606.6	79.1%
10%	350.9	8,031.8	>1,046	2,818,227.5	88.7%
20%	702.5	4,299.5	>314	3,020,315.3	95.1%
50%	1,778.3	1,774.0	>38	3,154,853.4	99.3%

We have adopted a comprehensive approach in effectively mitigating revenue concentration from a small number of paying end-users. First, we ensure that the game products we market and operate is diversified across various metrics, resulting in a different user base for each particular game product. Each game product we market and operate has gone through the internal evaluation by our content department, and we only select game products with different characteristics in terms of genre or sub-genre, game features, artistic designs, gaming strategies, user age-appropriateness, and competition from other similar game products. Accordingly, the expected level of paying user concentration is low. Second, our in-depth operation capabilities aim to address end-user churn and facilitate a more diversified end-user base. Our insights powered by machine learning and our big data analytics tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing end-user retention and engagement potential and resulting in a more diversified user base and higher lifetime value. Our technology platform ingests and analyzes disparate parameters to generate views of behavior analysis, the likelihood of player churn and in-game purchase intent, which are then translated into marketing campaigns for highly targeted end-users across specific marketing channels we choose to integrate. Notably, our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings, enabling us to create a more diversified end-user base. Third, we from time to time proactively solicit feedback on gaming experience with existing end-user users and take their changing needs into consideration when selecting, marketing and operating new game products. Fourth, we continually try to expand the end-user base by conducting marketing campaigns of the game products we operate through different channels and in different geographic locations.

Summary of Key Terms of Framework Service Agreements With Our Clients

We typically enter into framework service agreements with our clients addressing matters such as service scope, exclusivity, joint operations or marketing and promotion arrangements. Set forth below is a summary of the key terms of the framework service agreements with game developer clients.

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Framework Service Agreements with Our Clients

- *Service Scope.* The services we provide include our offerings of precision marketing, in-depth operation and/or brand development to the game products, as applicable, by utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions under the self-run model, or by leveraging the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources under the joint-run model. We may choose either the self-run model or the joint-run model based on the particular needs of the game products. The service details under the joint-run model are further elaborated in our agreements with the collaborating distribution channels. We are authorized to use the name, trademark and components of the game product for marketing and operation purposes.
- *Exclusivity.* We may have the exclusive right to conduct marketing and operations for the target product in the specified regions, depending on the outcome of a specific business negotiation.
- *Term.* The term for our services is generally three years after the relevant game product’s commercial operation subject to automatically renewal till the end of the lifecycle of the relevant game product.
- *Pricing.* We typically charge the client a service fee as a percentage of the gross billings from in-game purchases of the product by end-users. See “—Our Pricing Policy—Pricing Policy for Online Game Publishing Business and Other Marketing Business” for a detailed description of the differences in pricing between the self-run model and the joint-run model.
- *Rights and obligations.* We are primarily responsible for marketing, promotion and operation of the marketed product, which primarily includes establishing distribution, marketing and payment channels under the self-run model, or leveraging the user bases, marketing resources and technology platforms with our collaborating distribution channels under the joint-run model, to formulate operations and marketing strategies.

Our client (game developer) is responsible for developing the game product and obtaining all necessary licenses, permits and approvals for operating the relevant product, including but not limited to the copyright license, trademark license and game publishing permits. Our client is also responsible for technical maintenance of the game products to ensure the game product is free from serious program errors and providing technical support for end-users to download the game product.

- *IP rights.* We require our client to maintain all requisite IP rights to avoid potential infringement of third-party IP rights. We may be authorized to register trademarks or other forms of IP rights in the specified regions to facilitate the marketing of the product. The client shall ensure it is either the owner of the relevant IPs or the

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authorized licensee of the related IP rights. Besides, the client shall ensure the game product is in compliance with applicable PRC laws and regulations and we are entitled to indemnity.

- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party.

Summary of Key Terms of Collaboration Agreements with Our Suppliers

Third-party payment channels

The payment channels that we collaborate with are primarily major third-party online payment channels, such as Weixin Pay, Alipay and UnionPay.

- *Non-exclusivity.* Our cooperation with the third-party payment channels are on non-exclusive basis.
- *Term.* The term of the agreements is typically one year and can be automatically renewed.
- *Principal Rights and Obligations of Parties Involved.* The third-party payment channels are responsible for providing charging, withdrawal, transferring and paying services between the end-users and us.
- *Pricing.* The third-party payment channels charge us service fees as a percentage of the gross billings between the end-users and us. The percentage is determined based on our bargaining power with the payment channel.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party. Occasionally, third-party payment channels may terminate the agreement when fundamental breach by us occurs and persists for a specified period of time.

Collaborating distribution channels

The distribution channels act as agents to deliver the game products operated under the joint-run model.

- *Service Scope.* We leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game product.
- *Non-exclusivity.* Our cooperation with the distribution platforms are on a non-exclusive basis.

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- *Term.* The term of the agreements typically ranges between three months to three years subject to automatically renewal till the end of the lifecycle of the relevant game product.
- *Principal Rights and Obligations of Parties Involved.* Third-party distribution channels are required to distribute, and/or promote and advertise the game product on their respective platforms. We are responsible for working with the game developer to ensure technical support and customer services.
- *Revenue sharing and platform service fees.* The distribution platforms typically charge us a percentage of the gross billings. The fees are determined based on the specific game product and/or our bargaining power with the distribution channel.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party.

Collaborating media platforms/advertising agencies

- *Non-exclusivity.* Our cooperation with media platforms/advertising agencies are on a non-exclusive basis.
- *Principal Rights and Obligations of Parties Involved.* We are required to provide marketing and promoting information and materials. Such information and materials shall be in compliance with the relevant rules and regulations of the media platforms/advertising agencies. The collaborating media platforms/advertising agencies are responsible for providing marketing and promotions services based on the materials provided by us.
- *Pricing.* The services provided by collaborating media platforms/advertising agencies are charged as a fee package based on the specific marketing and promoting activities and/or our bargaining power with the media platforms/advertising agencies.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party.

Impact of Market Outlook on Mobile Game Industry

Despite that the global mobile game market decreased by 3.2% in terms of user-spending in 2022 as compared to 2021, its market size is expected to grow at a CAGR of 4.8% from 2022 to 2027. According to Frost & Sullivan, the decline in the market size of global mobile game market in 2022 will not have material impacts on such market in the long run for the following reasons.

First, the global mobile game market is expected to return to normal and sustainable growth rate based on pre-pandemic forecast, although the implementation of restrictive measures in

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response to the COVID-19 outbreak from 2020 to 2021 limited peoples’ outdoor entertainment activities and mobile games become the preferred choice as they can be played without physical interaction. Second, game products marketed and operated under the joint-run model increasingly rely on major online distribution channels (in particular major App stores) to generate traffic. Service fees charged by such distribution channels in turn increase the end-user acquisition cost for game developers and co-publishers, which to certain extent is expected to curb the revenue growth momentum of game products marketed and operated under the joint-run model in 2022. According to Frost & Sullivan, game products marketed and operated under the self-run model were unlikely to be affected by this outlook in 2022. Third, the current economic climate, especially inflation, limits people’s disposable income and price-sensitive mobile game users spend less during tougher economic times. However, the number of global players is still growing across the globe and gaming is now embedded in consumers’ lives.

In addition, our Directors are of the view that such market outlook would not have a material adverse impact our financial performance and business operations, based on the following reasons.

First, our financial performance during the Track Record Period were relatively robust. In 2020, 2021 and 2022, we generated a revenue of RMB2,872.4 million, RMB5,735.7 million and RMB8,817.2 million, respectively. Notably, our revenue increased by 99.7% from RMB2,872.4 million in 2020 to RMB5,735.7 million in 2021, and further increased by 53.7% from RMB5,735.7 million in 2021 to RMB8,817.2 million in 2022. Our revenue decreased by 14.0% from RMB2,846.7 million for the four months ended April 30, 2022 to RMB2,448.3 million for the four months ended April 30, 2023, primarily reflecting a decrease in revenue we generated from the online game publishing business and other marketing business under the self-run model mainly because certain game products entered into a later stage of their lifecycle. As of April 30, 2023, we had cash and cash equivalents of RMB399.3 million. We believe our liquidity is sufficient to navigate an extended period of uncertainty. Also, we believe our financial performance during these challenging times in the past three years is a proof that we will be able to navigate through 2022 and future times of uncertainty.

Second, compared with our competitors, we believe we have certain competitive strengths that will help us maintain a competitive edge and handle the market volatility. We believe the following elements contribute to our competitive edge over our competitors, enabling us to deal with market fluctuations: (i) our profound experience in precision marketing, in-depth operation and brand development to extend the monetization potential and lifecycle of a game product, particularly for a game product developed by a third-party; (ii) our large end-user base with long-term and comprehensive relationships partnership with game developers and major media platforms; (iii) our in-depth operation abilities navigating through the entire life journey of a game product, covering product evaluation, precision marketing, in-depth operation and brand development; (iv) our proprietary technology platforms that are capable of ingesting and analyzing disparate parameters to generate actionable insights, which are then translated into marketing campaigns for targeted end-users; and (v) our brand development capabilities of enhancing the brand awareness and penetration of game products. See “— Our Competitive Strengths” for a detailed description of our strengths over our competitors.

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Third, during the ordinary course of our business, we pay attention to effectively managing cost and operating expenses, in particular administrative expenses, and ensure that we retain substantial ability to manage our business growth and achieve an optimal balance between business expansion and operating efficiency. Leveraging our streamlined operations, our administrative expenses decreased significantly as a percentage of our total revenue since 2020.

Fourth, according to Frost & Sullivan, Web 3.0-based mobile game world is the trajectory of the mobile game industry, and Web 3.0 is currently reshaping the online game industry with new game features that make use of blockchains, cryptocurrencies, and non-fungible tokens (NFTs). To address these opportunities and ensure we remain at the forefront of the mobile game industry, we intend to increase our investments in R&D activities and pursuing strategic acquisitions. For example, we intend to allocate approximately 10.0%, or HK\$[REDACTED] of our [REDACTED] from the [REDACTED], to improve our technology capabilities, a portion of which is expected to spend on exploring technologies or technology partners with potential to develop Web 3.0-based game products. Therefore, our business strategy on this front is in line with the general trajectory of the mobile game industry.

Having (i) discussed with our Company’s management and Frost & Sullivan, (ii) reviewed our Board’s draft memorandum of profit forecast for the eight months ending December 31, 2023 and the proof of our Group’s products pipeline, including the full list of our Group’s products pipeline and the internal test reports of our Group’s pipeline game products, and (iii) conducted the background search through an independent background search agent on the PRC Operating Entities, where no material adverse findings with respect to the market outlook and its impact on the business operations and financial results of the Group were identified, the Joint Sponsors concur with our Directors’ view as set out above.

CONSUMER PRODUCT BUSINESS

The end-user insights we accumulate allow us to spot other needs of end-users. Our consumer product business currently focus on sales of instant food and pop culture-related merchandise empowered by the content we create or market, as highlighted by “Zha Zha Hui (渣渣灰)” and “Bro Kooli.” As exemplified by the launch of our instant food brand “Zha Zha Hui” in 2020, we continuously capture and analyze valuable end-user behavior and performance data in connection with the popular RPG game products we market and operate. Through our market research on consumer demographics, buying habits and purchase power, including data analysis based on in-app purchases, we have learned that the end-users of this game product share desirable characteristics with lovers of instant food among the younger generation. We also believe that the brand recognition we have achieved with the end-users of the game products we market and operate will help drive the advancement and penetration of our business in the instant food sector.

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our revenue generated from consumer product business amounted to nil, RMB30.3 million, RMB215.8 million, RMB35.5 million and RMB81.8 million, accounting for nil, 0.5%, 2.4%, 1.1% and 3.2% of our total revenue for the same years/periods, respectively. The following table sets forth a

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breakdown of revenue generated from consumer product business by nature for the years/periods indicated. Revenue from sales of pop toys under Bro Kooli accounted for an insignificant portion of the revenue from consumer product business during the Track Record Period.

	For the Year Ended			For the Four	
	December 31,			Months Ended	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Instant Food under Zha Zha Hui	—	30,316	214,858	35,112	81,723
Pop Toys under Bro Kooli	—	12	900	428	95
Consumer Product Business	—	30,328	215,758	35,540	81,818

Zha Zha Hui (渣渣灰)

Benefiting from the end-user insights we accumulate, we continuously capture and analyze valuable end-user behavior and performance data. Based on our market analysis on e-commerce and social media platforms, we made a strategic decision to penetrate into the instant food industry. As such, our own brand “Zha Zha Hui” was established in late 2020. “Zha Zha Hui” is designed as an instant food brand with an emphasis on instant prepared rice noodles and primarily targets the instant food-centered pop culture, which is an expression of popular food culture containing the mass culture properties of the fast food restaurant phenomenon. The instant food-centered pop culture applies characteristics of pop art to instant food products. Zha Zha Hui primarily leverages multi-channel marketing strategies to sell our private-label and local-flavor rice noodle products and other fast consumer foods. With its slogan “嗦到之處皆開心”, Zha Zha Hui aims to create a delightful brand image to cultivate a flavored rice noodle-centered pop culture among the younger generation. We leverage our marketing capabilities to innovate traditional food brand marketing processes across the lifecycle of designing food flavors and categories, selling and servicing. According to Frost & Sullivan, “Zha Zha Hui” has become one of the fastest growing brands in the instant food industry in terms of GMV. The GMV of China’s instant food industry increased by approximately 4.5% from 2020 to 2021 and 6.1% from 2021 to 2022. Since launch of the Zha Zha Hui brand, GMV generated by this brand increased significantly from RMB2.4 million in 2020 to RMB87.6 million in 2021, and further increased to RMB315.9 million in 2022.

Notably, with Zha Zha Hui, we have built a multi-channel network to reach lovers of delightful fast consumer foods. In our efforts of branding and fast consumer food culture promotion, we have also established popular campaigns on collaborating media platforms. In particular, we leverage a diverse and growing pool of KOLs (key opinion leaders) in China’s fast consumer foods industry with a total of over 1.2 million followers on leading e-commerce platforms. During the Track Record Period, we cooperated with many KOLs and carried out a number of broadcasts to promote our Zha Zha Hui brand. Assisted by our high-quality rice noodle-themed content, such as mukbang, store discovery, cooking lessons and product evaluation of our instant food products through live-streams, short videos, blogs and other forms

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of online interactions with followers by the KOLs we engage, they have gained a large, vibrant and loyal fan base. The interactions between our KOLs and their fans enable them to learn more about Zha Zha Hui, as well as the fast consumer food pop culture in general, and we believe such interactions have strengthened the bonds between our KOLs and their fans, and thus significantly increased the likelihood of their fans becoming the target audience of Zha Zha Hui.

In addition to engaging consumers online, we are actively expanding our offline sales channels. Zha Zha Hui has been offered to more than 20 provinces in China, through approximately 210 distribution channels with approximately 19,500 offline stores.

We have put in place a standardized and strict standard operating procedures (“SOP”), covering raw material supplier selection, producer selection, warehousing, shipping and delivery. All personnel within our consumer product business follow the SOP in their procurement, sourcing and supply chain activities.

Procurement. We adopt a centralized procurement policy under which our procurement department is responsible for working with third-party food manufacturers to purchase and monitor the purchase of the food ingredients and packaging materials from a list of authorized suppliers for Zha Zha Hui. We carefully consider factors such as price, quality, business scale, reputation and history of compliance with applicable laws and regulations before engaging them.

Production. We engaged reliable third-party food manufacturers for the production of our “Zha Zha Hui” instant rice noodle during the Track Record Period. We carefully consider factors such as price, quality, production capacity, business scale, reputation and history of compliance with applicable laws and regulations before engaging them. We manage and monitor the performance of these third-party manufacturers and require them to comply with our internal production guidelines and policies.

Distribution. We distribute Zha Zha Hui through both online and offline channels. Under our online sales model, we sell Zha Zha Hui directly to consumers via third-party e-commerce or media platforms. To complement our online channels, we also sell Zha Zha Hui through approximately 210 distribution channels with approximately 19,500 offline stores. We currently use third-party national and regional logistics providers for inventory and delivery. We work with them to manage the supply chain from inventory management to order fulfillment.

Food Safety Control. We have implemented stringent food safety and quality control measures to ensure the safety and quality of our food offerings are satisfactory. Our quality control measures cover different aspects of our operation, including procurement, production and storage. Our quality assurance team is responsible for establishing and overseeing our quality control measures.

We are dedicated to enhancing our Zha Zha Hui brand through expanding our instant food products categories. First, we strive to expand our instant food product offerings in different consumption scenarios and to continuously introduce new product categories. In particular, we will further optimize the consumption experience of our Zha Zha Hui series by introducing new

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flavors, upgrading packaging designs and enriching the nutrition value, so as to attract more customers; Second, we will further devote our efforts to enhance our brand recognition by establishing innovative and popular marketing campaigns to promote the instant food culture and creating connections with the game products we market and operate to enhance brand recognition. Third, we plan to exploit technologies such as big data, artificial intelligence, industrial internet and real-time computing to better understand the purchase behavior of our end-users, which in turn to further enhance our operating efficiency and management capabilities.

We expect our revenue generated from sales under the Zha Zha Hui brand will increase in the future. First, according to Frost & Sullivan, the instant food industry in China is expected to grow rapidly with a CAGR of 3.1% from 2022 to 2027. More consumers are attracted by the simplified cooking feature of instant food. Second, “Zha Zha Hui” has become one of the fastest growing brands in the instant food industry in terms of GMV, according to Frost & Sullivan. We believe our strengthened brand awareness will contribute to the increase of sales of our instant food products.

Bro Kooli

Launched in late 2021, Bro Kooli is our self-created IP dedicated to promoting pop toy culture. We believe our overall brand awareness, industry-leading position and marketing capabilities in the digital entertainment industry enable us to attract and build a fast-growing, young and passionate fan base for our Bro Kooli pop toy IP through organic discovery and virality. Our in-house design and marketing team work together on the promotion plan for the pop toys impersonated by Bro Kooli. We have developed a series of blind box products based on broccoli. Our blind box products typically are closed, opaque small boxes with the same exterior packaging and built-in dolls of different styles, i.e., Bro Kooli dolls. This series of blind box products has a unique theme and generally contains more than 12 different designs, including a specially designed “hidden edition,” increasing the fun as well as attracting repeat purchases.

We create and attribute characteristic backgrounds for Bro Kooli to establish emotional connections with individual consumers. Our Bro Kooli features distinct designs and aesthetics, making it good fit for display and create a notion of self-expression and individuality with consumers. The pop toys created under Bro Kooli express an attitude of joy and optimism, which we believe could relate to the end-consumers. As such, we believe the embodiment of contents and artistic expression of the pop toys created under Bro Kooli establish a positive emotional connection with individual consumers.

We have adopted a flexible multi-channel strategy in connection with the supply chain management of our pop toy products.

Procurement. We adopt a centralized procurement policy under which our procurement department is responsible for working with third-party toy manufacturers to purchase and monitor the purchase of the raw materials and packaging materials from a list of authorized suppliers for Bro Kooli. We carefully consider factors such as price, quality, business scale, reputation and history of compliance with applicable laws and regulations before engaging them.

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Production. We engage reliable third-party manufacturers that specialize in the manufacture of toy products. We select third-party manufacturers based on factors such as quality, capacity, price, years of operation, reputation and history of compliance with applicable laws and regulations before engaging them. Most of our third-party manufacturers have extensive industry experience and cooperate with other major toy brands in China.

Distribution. We have adopted a multi-channel strategy to market our pop toy products which enable us to further enhance our brand recognition and reach a wider fan base. Under our online sales model, we sell our pop toy products directly to consumers via third-party collaborating media platforms. Under the offline sales channel, we work with local malls and business partners to promote sales.

Product Quality Control. The products delivered by the third party manufacturers as well as the raw materials for our pop toy products shall meet the applicable laws, regulations and national and industry standards. Upon delivery of the final products, we are entitled to assign our quality control staff to the manufacturer for onsite sampling check and inspection.

We are dedicated to enhance our Bro Kooli brand through broadening our pop toy product offerings. First, we will continue to enhance our brand awareness to attract more artists to partner with our platform, which enable us to develop and launch more categories of pop toy products. Second, we plan to establish our in-house pop toy design department to enhance our in-house IP development capabilities. Third, in order to attract new pop toy fans and increase their stickiness, we plan to strengthen our marketing efforts to enhance brand influence. For example, we plan to attract fans through the pop toy conventions, autograph sessions, exhibits and other promotional activities.

We expect our revenue from sales of pop toy products under Bro Kooli will increase in the future. First, according to Frost & Sullivan, the pop toy market will increase significantly along with the increase of disposable income. Second, we believe our marketing and branding plans in consumer product business will enhance our brand exposure, which we believe will contribute to the increase of sales of pop toy products under Bro Kooli.

OUR PRICING POLICY

Pricing Policy for Online Game Publishing Business and Other Marketing Business

Online Game Publishing Business

Under each of the self-run model and the joint-run model, so long as we market and operate a game product pursuant to a business arrangement under which the related game developer or publisher authorizes us to conduct marketing and operation, as applicable, we consider such game developer or publisher as our client and regard ourselves as the agent of such game developer or publisher in dealing with the end-users of the game product.

In exchange for our provision of the related services, we charge the client (game developer or publisher) a service fee as a percentage of the gross amounts that the end-users pay for the

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purchase of the virtual items in the game. We recognize the service revenue on a net basis which equals to the gross amounts collected from the end-users less the amounts shared by the game developer or publisher when the end-users pay for purchase of the in-game virtual items and when such amounts are determinable. Under each model, we generally determine the service fee based on features and estimated commercial value of the product and the business arrangements between the game developer or publisher client and us, such as the service scope and exclusivity. In addition, under certain agreements with the game developer, we are entitled to additional bonus based on the actual marketing performance. Revenue from such additional bonus is recognized when the amount is determined and confirmed by the game developer. During the Track Record Period, we were entitled to additional bonus from one game publisher client, Zhejiang Zhengyou for the provision of marketing and operation supporting services for eight game products. The additional bonus we are entitled to receive typically ranges from mid-single-digit to low-double-digit percentage of the total advertising fee we advance on behalf of the game publisher and determined on a product-by-product basis. In 2020, we received RMB31.7 million in additional bonus from Zhejiang Zhengyou. See also “ — Our Business Model — How Our Business Generates Revenue” and “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

Under the self-run model for marketing and operating game products authorized by third-party game developers, the service fee we were entitled to receive as a percentage of the total gross billings generally ranged between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. The remaining gross billings typically go to game developer clients. Under the self-run model for marketing and operating self-owned game product, we are entitled to receive the total gross billings as our fee. Under the self-run model, we also provide marketing and operation support services to third-party game publishers. We charge these game publishers a service fee based on a certain percentage of the gross billings that end-users pay for in-game virtual items, which generally ranged between 5% and 15% during the Track Record Period, with an average service fee of approximately 12%.

Under the joint-run model for marketing and operating game products authorized by third-party game developers, the service fee we were entitled to receive as a percentage of the total gross billings was generally in line with that under the self-run model, i.e., ranging between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. Pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 92% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, the service fee we were entitled to receive (excluding the portion our game developer clients are entitled to) as a percentage of the total gross billings generally ranged between 2% and 42% during the Track Record Period, with an average service fee of approximately 20%. Under the joint-run model for marketing and operating our self-owned game product, pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 94% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, we were entitled to receive a percentage of the total gross billings generally

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ranged between 6% and 60% during the Track Record Period, with an average service fee of approximately 11%.

The gross profit for game products operated under the self-run model was RMB2,312.4 million, RMB4,458.5 million, RMB5,896.5 million, RMB1,941.4 million and RMB1,424.9 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit for game products operated under the joint-run model was RMB126.1 million, RMB235.1 million, RMB387.9 million, RMB134.5 million and RMB159.2 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

The gross profit margin for game products operated under the self-run model remained relatively stable at 95.6%, 94.9%, 95.4%, 95.1% and 93.9% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit margin for game products operated under the joint-run model was 27.8%, 24.1%, 16.3%, 17.8% and 19.5% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

The key differences between the two models in profitability are due to the following:

- Under the self-run model, we conduct marketing and payment channel operation and/or brand development on our own, and we are responsible for identifying, contracting with the payment channels and the collaborating media platforms/advertising agencies or payment processing on behalf of game developer clients if needed. Therefore, commissions paid to the payment channels and the marketing fees calculated based on pay-to-sale are included in cost of sales.
- Under the joint-run model, we involve collaborating distribution channels to serve as both an end-user acquisition channel and our strategic partner to joint-run the authorized game products. A portion of the gross amounts paid by the end-users are withheld directly by the collaborating distribution channels (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution channels. We record the amount withheld by the collaborating distribution channels under the joint-run model as part of the cost of sales.

During the Track Record Period, in addition to marketing and operating game products authorized by third-party game developers, we also operated Legend of Guyun (古雲傳奇), in which we have had a full ownership since January 2022. Prior to our acquisition of its full ownership, this game product had been marketed and operated by us pursuant to an authorization from the then-third party game developer. Since our acquisition of the full ownership of this game product, we have been solely responsible for the game product development, maintenance, price setting and game server, and we consider ourselves as the principal of the game product and the end-users as the customers. We are obligated to provide on-going services to the end-users who make payments to gain an enhanced game-playing experience over the playing period, and accordingly we recognized the revenue ratably over the estimated average playing period of these paying end-users (“Player Relation Period”), starting from the point in time when the purchase of in-game virtual items is made, and all the other revenue recognition criteria are met. We estimate the Player Relation Period of a game based on historical data statistics of the paying players and reassess such period semi-annually.

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Pricing Policy for Other Marketing Business

We also provide marketing services for developers of non-gaming applications (mainly online literature products). We consider the third-party literature content providers as our customer and ourselves as an agent in the arrangement with both the third-party content providers and the online literature readers. We charge the client (content provider) a service fee as a percentage (generally ranged between 85% and 95%) of the gross amounts that the online literature readers pay for the subscription of the online literature product. We recognize the service revenue on a net basis which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable. We generally determine the service fee based on features and estimated commercial value of the online literature product and the business arrangements between the content provider and us.

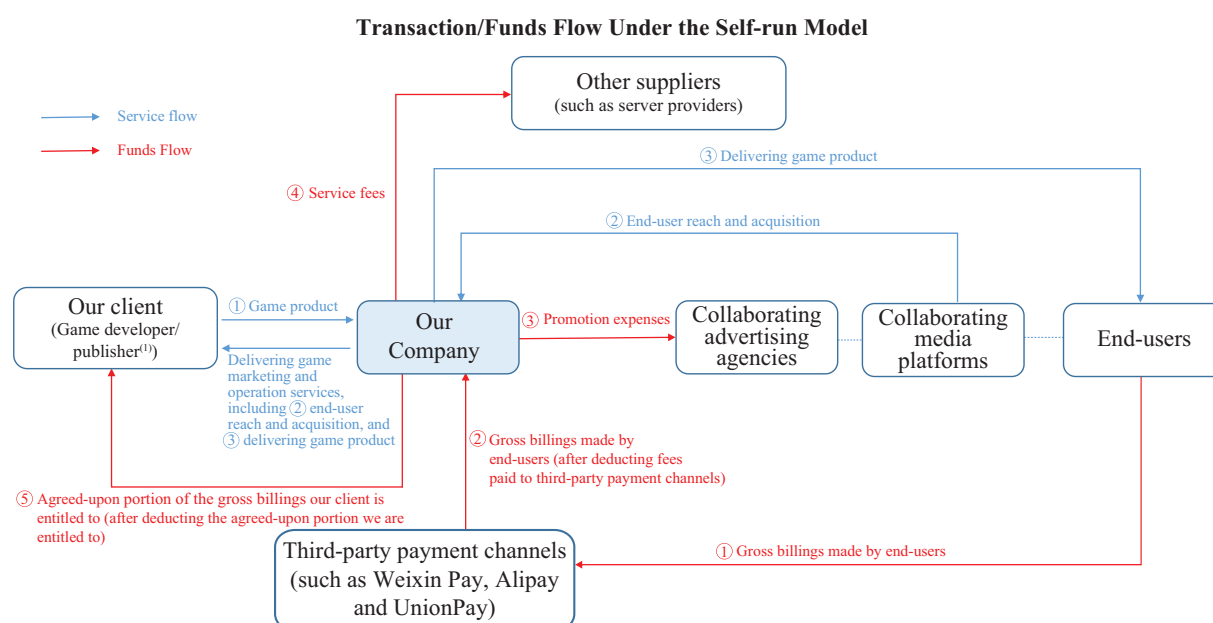
Pricing Policy for Consumer Product Business

We sell rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” to the end consumers over third-party online retail platforms and to the distributors. Revenue from the sale of such consumer products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt and acceptance of products. We generally determine the selling price based on the cost of procurement and production and our arrangement with third-party online retail platforms or local distributors.

SUMMARY OF TRANSACTION/FUNDS FLOW OF OUR BUSINESS

Transaction/Funds Flow of Online Game Publishing Business and Other Marketing Business

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business and other marketing business under the self-run model:



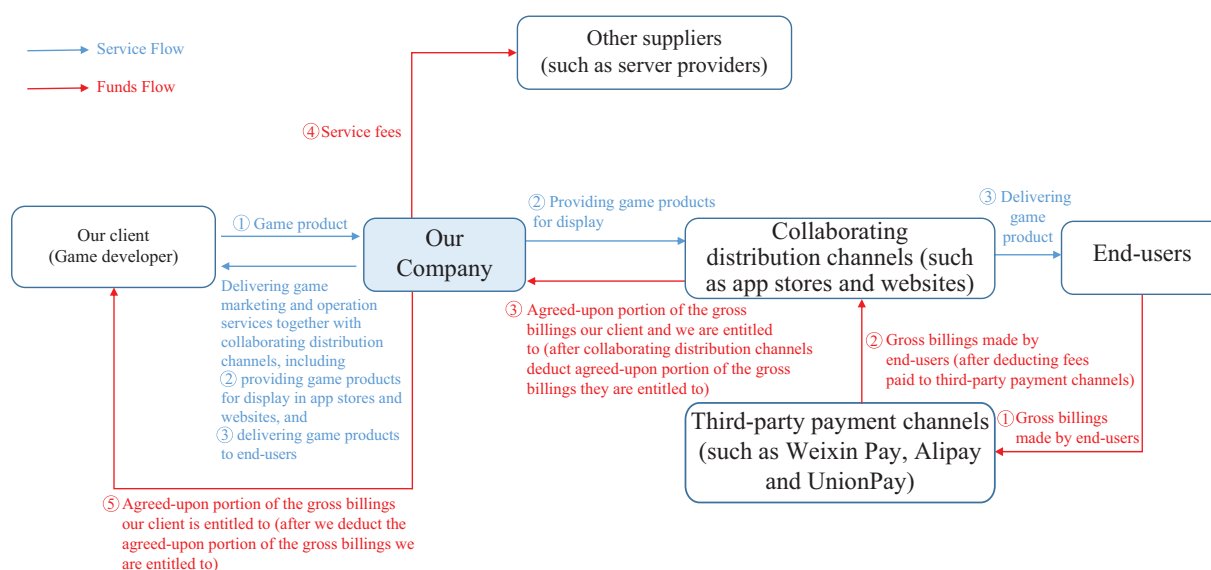
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Note:

- (1) We provide marketing and operation support services to third-party game publishers for which we charge a service fee. We collect gross billings paid by end-users (after deducting fees paid to third-party payment channels) on behalf of such game publishers and charge service fees based on a certain percentage of the gross billings. During the Track Record Period, revenue generated from collaboration with game publishers, namely Zhejiang Zhengyou and Shangrao Xinxin, amounted to RMB255.6 million, RMB98.7 million, RMB85.6 million, RMB29.0 million and RMB28.0 million, respectively. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, revenue generated from our collaboration with Zhejiang Zhengyou as a game publisher client was RMB86.9 million, RMB4.3 million, nil, nil and nil, respectively. During the same years/periods, revenue generated from our collaboration with Shangrao Xinxin as a game publisher client was RMB168.7 million, RMB94.4 million, RMB85.6 million, RMB29.0 million and RMB28.0 million, respectively. See also “— Our Business Model — How Our Business Generates Revenue” and “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business and other marketing business under the joint-run model:

Transaction/Funds Flow Under the Joint-run Model

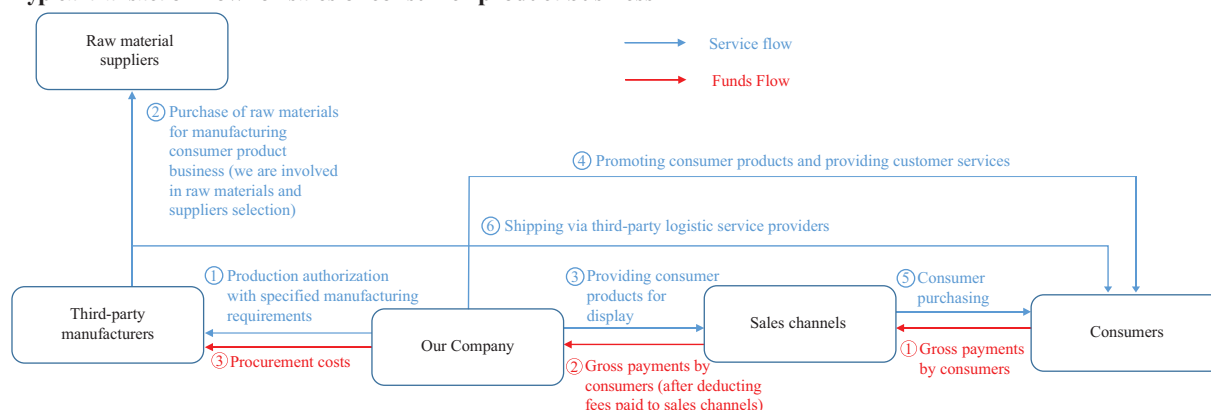


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Transaction/Funds Flow of Consumer Product Business

Set forth below is a diagram illustrating a typical transaction/funds flow of our consumer product business:

Typical transaction flow for sales of consumer product business



OUR WORKING CAPITAL CYCLE MANAGEMENT

We carefully manage our working capital cycle to ensure that we operate efficiently. In particular, we monitor and use our current assets and liabilities to their effective use.

Our Company’s typical working capital cycle works in the following order:

- Under the self-run model, we receive payment from end-users via third party payment channels. We typically withdraw these payments on a daily basis.
- Under the joint-run model, we receive from the collaborating distribution channels the agreed-upon portion of the gross amounts paid by the end-users, after the collaborating distribution channels directly withhold a portion of the gross amounts paid by the end-users pursuant to the business arrangement with such collaborating distribution channels. Our trading terms with our collaborating distribution channels are mainly on credit. The credit period generally ranges from 30 days to 90 days.
- In terms of marketing and promotion expenses, we incur other payables to collaborating media platforms/advertising agencies in connection with the end-user acquisition activities and other marketing activities for a game product we market, publish and operate for a game developer. The collaborating media platforms/advertising agencies generally grant us a credit period ranging from 30 days to 90 days.
- In terms of payments to game developers, we generally pay the agreed-upon revenue sharing our client is entitled to (after deducting the agreed-upon portion we are entitled

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to). The game developers generally grant us a credit period ranging from 90 days to 120 days.

- We generally settle the aforementioned payables by cash or bills.

OUR TECHNOLOGY CAPABILITIES

We have developed our own proprietary technology platforms, as highlighted by our intelligent engagement platform — the Luoshu (洛書) system, and our proprietary business intelligence analytics system — the Hetu (河圖) system. Each system is an efficient and integrated high-throughput and low-latency system that collects data, builds behavior models, predicts intents, suggests the next best action, engages through digital channels and provides a high level of measurement. We had accumulated more than 120.9 billion machine learning training sets through our technology platforms as of April 30, 2023. Moreover, our technology system is scalable to ensure the reliability, integrity, performance and security of the data we collect, enabling us to deliver games to millions of players simultaneously with high levels of performance and reliability.

Intelligent End-User Engagement Platform — Luoshu (洛書) System

We have achieved centralized management of various collaborating media platforms through our intelligent end-user engagement platform, the Luoshu (洛書) system, which in turn enhanced the efficiency for placement. It allows us to address various marketing demands of the game products we marketed and operated to enhance end-user coverage with minimized human operations.

The Luoshu (洛書) system features AI-driven channel engagement recommendations based on automated matching of bidding systems operated by the traffic channels. Based on our historical key indicators, our Luoshu (洛書) system is able to calculate and estimate the return parameters of the products we operate and market immediately after data inputs. Subsequently, we are able to identify and target suitable end-users across a wide range of digital channels. These channels can work either independently or together, depending on our marketing strategies.

Intelligence Analytics System — Hetu (河圖) System

Our proprietary business intelligence analytics system, our Hetu (河圖) system, is capable of monitoring and analyzing the marketing campaign results through various tags generated, including time slots, channels and characteristics of the target user group.

The Hetu (河圖) system is equipped with an engine with sophisticated and customizable user-and campaign-based learning algorithms. Our Hetu (河圖) system ingests and analyzes disparate parameters to generate views of end-users encompassing age, gender, behaviors, the likelihood of player churn and in-game purchase intent, which are then translated into marketing

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campaigns for highly targeted end-users across specific marketing channels our client chooses to integrate. Through this, we are able to generate real-time and actionable insights across end-user acquisition, retention and growth opportunities. Leveraging a variety of algorithms learning and statistical techniques, we are able to correlate events across multiple sources to discover patterns, identify trends and predict outcomes across millions of data to understand changes in end-user behavior. For example, the Hetu (河圖) system can quickly identify which marketing channels are most likely to be effective for an individual end-user, which types of messages are most likely to resonate and what time of day the end-user is most likely to be receptive to the marketing message. The analytical indicators generated by our Hetu (河圖) system facilitate us to adjust their marketing strategies and spending on a real-time basis and optimize the campaign results.

RESEARCH AND DEVELOPMENT

Rapid and continuing innovation is a core driver of our business success and our corporate culture. We are committed to continuous innovation and the rapid introduction of new technologies, features and functionality that bring value to our clients. Our proprietary Hetu (河圖) system and Luoshu (洛書) system are built and maintained internally by our engineers, data scientists and product managers. We allocate a substantial portion of our operating expenses to research and development, including improving our data analytics technologies. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our research and development costs amounted to RMB472.4 million, RMB136.9 million, RMB157.7 million, RMB47.3 million and RMB57.7 million, respectively. As of April 30, 2023, we had 335 employees dedicated to research and development, most of whom held computer science-related bachelor’s degrees or above.

Our research and development department is comprised of data analysts, system managers, and software engineers, who work closely together to develop and upgrade our proprietary Hetu (河圖) system and Luoshu (洛書) system. The table below sets forth a breakdown of the number of employees in our research and development department by function as of the dates indicated:

	As of			As of
	December 31,			April 30,
	2020	2021	2022	2023
Data analysis	43	106	83	64
System development and management	30	67	100	92
Software engineering	75	233	203	179
Total	<u>153</u>	<u>406</u>	<u>386</u>	<u>335</u>

Our efforts are focused on improving and enhancing the features, functionality, performance, availability and security of our technology capabilities to better support our services. Our R&D process for a specific project generally comprises six phases: (i) project initiation, which mainly involves requirement analytics and approval; (ii) product development; (iii) testing; (iv) launch; (v) operation and feedback collection; and (vi) next iteration. Our R&D

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process is primarily driven by the marketing and operation needs of the game products we marketed and operated or internal ideas for improvements or innovation and involves collaborative efforts across multiple departments, such as the marketing department, operation department and product department. We encourage our employees to maintain close communications with internally to understand each participants’ needs and demands. In the project initiation stage, our product department builds a demand pool filled with product development or optimization demands collected from different departments. At the development stage, we encourage our in-house R&D team to explore new concepts. During the Track Record Period, our in-house R&D team worked on various major development projects which we believe are not only necessary to enhance our ability to optimize our comprehensive digital marketing solutions but are essential in maintaining our competitiveness. After completing the project initiation and development phase, we conduct internal tests to resolve any major technological issues and bugs that may exist in the test version. After launch, we continually monitor and analyze system performance and continue to optimize system functions and performance.

We have a technology roadmap to introduce new technology capabilities and functionalities. We have formulated a strategic R&D roadmap primarily focused on (i) developing an automatic abnormal data analytics system; (ii) improving the real-time API accuracy to improve the accuracy of information from multiple marketing channels; (iii) enhancing our intelligent campaign performance management system; and (iv) developing a big-data empowered advertising material analytics system. In particular, we are investing in AI content management and expansion of AI-based decision and orchestration. We have implemented a multi-tenancy architectural approach that allows us to operate a single application instance for multiple clients, treating all clients as separate tenants who run in virtual isolation from each other. We customize solutions for each client as though they each have a separate instance, yet their data and customizations remain secure and insulated from the activities of all other clients. Our multi-tenant platform runs on a single stack of hardware and software, which is comprised of commercially available hardware and a combination of proprietary and commercially available software.

CLIENT SERVICES AND TECHNICAL SUPPORT

Client experience and satisfaction have always been deeply rooted in our mission and we are committed to delivering an exceptional level of service to our clients. As part of our operation enhancement services, we provide product enhancement suggestions to clients throughout the product lifecycle. We regularly summarize and analyze user feedback, and regularly conduct in-depth communication with clients on needs from target users and product shortages. Taking game products as an example, we maintain in-depth communication with the clients to ensure that the game is updated and optimized from time to time. We also launch operation campaigns with the clients and regularly launch special offline events for VIP end-user groups to attract high-value users to play, increase their willingness to pay, and enhance their recognition and sense of belonging to the game.

In addition, we offer expert consulting, client success management, technical support and learning services to our clients. We have service teams dedicated to designing and implementing customized solutions for our clients. Our teams use a comprehensive, client-focused delivery

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methodology that has been refined over capturing and analyzing best practices from numerous client engagements across a diverse mix of solutions, industries and client segments. Our services teams work with clients on an ongoing basis to understand their current and future business needs, promote faster solutions adoption and align the market potential of the marketed products to client’s business objectives to enhance the return on their investment. We engage clients to share best practices, relevant industry and vertical knowledge and proven success strategies based on our extensive engagements with leading distribution channels and brands.

As part of our online game publishing business, we maintain an end-user service team, too. As of April 30, 2023, we maintained an end-user service team with a total of 219 members. Our end-user service team offers 24-7 instant services to end-users through various online channels, including WeChat public accounts, social media accounts and user groups. Our user service team aims to provide satisfactory solutions to users promptly to improve user experience and prolong the user lifecycle.

OUR CLIENTS AND SUPPLIERS

Our Clients

During the Track Record Period, our clients primarily consisted of developers of game products. We review our clients on a regular basis. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our five largest clients in each year/period contributed to approximately 92.0%, 95.2%, 80.4% and 78.1% of our total revenue for the same year/period, respectively. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our largest client in each year/period contributed to 48.6%, 43.9%, 31.7% of and 32.0% our total revenue for the same year/period, respectively.

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Under the joint-run model, we act as the primary game marketing and operation partner of our game developer clients, and pursuant to our service agreement with the game developer, we typically have the discretion to market and operate the game product under the joint-run model by engaging third party collaboration distribution channels. The contractual authorization is between us and the game developer client and the service details under the joint-run model are further elaborated in our agreements with the collaborating distribution channels. Therefore, under the joint-run model, we do not act as a collaborating distribution channel and third-party collaboration distribution channels are our suppliers rather than clients.

<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
<i>For the year ended December 31, 2020</i>					
Client A	1,394,655	48.6%	60-90	4.1	A domestic game product developer mainly engaged in technology development of network technology, computer software and hardware, e-commerce technology.
Client B	573,863	20.0%	90-120	7.5	A public company listed on the Shenzhen Stock Exchange, which is a domestic game product developer/publisher mainly engaged in technology development, technology transfer, technology consulting, and technical services in the computer field.
Client C	288,738	10.1%	60-90	5.5	A domestic game product developer mainly engaged in technology development and technology services.

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<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
Client D	211,905	7.4%	90-120	6.3	A domestic game product developer mainly engaged in technology development and technology services.
Client E	168,717	5.9%	30-60	2.9	A domestic game product developer/publisher mainly engaged in network culture management and Internet information services.
Total	<u>2,637,878</u>	<u>92.0%</u>			
<i>For the year ended December 31, 2021</i>					
Client B	2,518,748	43.9%	90-120	7.5	A public company listed on the Shenzhen Stock Exchange, which is a domestic game product developer/publisher mainly engaged in technology development, technology transfer, technology consulting, and technical services in the computer field.
Client A	1,366,083	23.8%	60-90	4.1	A domestic game product developer mainly engaged in technology development of network technology, computer software and hardware, e-commerce technology.

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<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
Client C	1,342,435	23.4%	60-90	5.5	A domestic game product developer mainly engaged in technology development and technology services.
Client D	138,567	2.4%	90-120	6.3	A domestic game product developer mainly engaged in technology development and technology services.
Client E	97,985	1.7%	30-60	2.9	A domestic game product developer/publisher mainly engaged in network culture management and Internet information services.
Total	<u>5,463,818</u>	<u>95.2%</u>			
<i>For the year ended December 31, 2022</i>					
Client C	2,796,320	31.7%	60-90	5.5	A domestic game product developer mainly engaged in technology development and technology services.
Client B	2,373,776	26.9%	90-120	7.5	A public company listed on the Shenzhen Stock Exchange, which is a domestic game product developer/publisher mainly engaged in technology development, technology transfer, technology consulting, and technical services in the computer field.

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<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
Client F	1,572,252	17.8%	90-120	1.1	A domestic game product developer mainly engaged in technology development, technology transfer, technology consulting, and organization of cultural and entertainment activities.
Client G	258,812	2.9%	10-40	1.5	A domestic game product developer mainly engaged in internal cultural management.
Client D	98,385	1.1%	90-120	6.3	A domestic game product developer mainly engaged in technology development and technology service.
Total	<u>7,099,545</u>	<u>80.4%</u>			
<i>For the four months ended April 30, 2023</i>					
Client B	782,650	32.0%	90-120	7.5	A public company listed on the Shenzhen Stock Exchange, which is a domestic game product developer/publisher mainly engaged in technology development, technology transfer, technology consulting, and technical services in the computer field.

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<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
Client C	578,381	23.6%	60-90	5.5	A domestic game product developer mainly engaged in technology development and technology services.
Client F	431,862	17.6%	90-120	1.1	A domestic game product developer mainly engaged in technology development, technology transfer, technology consulting, and organization of cultural and entertainment activities.
Client H	89,909	3.7%	60-90	0.4	A domestic game product developer/publisher mainly engaged in technology development and technology services.
Client E	29,006	1.2%	30-60	2.9	A domestic game product developer/publisher mainly engaged in network culture management and Internet information services
Total	<u>1,911,808</u>	<u>78.1%</u>			

Note:

⁽¹⁾ The term indicates when the payment is due to game product developer/providers.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest clients for each year/period during the Track Record Period. See “Risk Factors — Risks Relating to Our Business and Industry — We are subject to concentration risk as a substantial

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portion of our revenue was generated from our major clients for marketing and operating game products.”

For the purpose of strengthening industry synergy and forming a strategic alliance, in September 2022, Jiangxi Tanwan, one of our PRC Operating Entities, obtained 55,175,000 shares of Client B, a public company listed on the Shenzhen Stock Exchange and one of our five largest clients for each period during the Track Record Period. As of the Latest Practicable Date, we have sold all of our investments in Client B. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there had been no past or present relationships (including, without limitation, business, family, trust, employment, shareholding, financing or otherwise) between us and our five largest clients for each year/period, including, to the knowledge of our Directors, such clients’ respective subsidiaries, shareholders, directors, senior management and their respective associates.

Our Suppliers

During the Track Record Period, our suppliers primarily consisted of third-party advertising, marketing and channel distribution service agencies or providers. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our five largest suppliers in each year/period contributed to approximately 56.1%, 64.5%, 59.0% and 53.4% of our total purchases for the same year/period, respectively. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our largest supplier in each year/period contributed to 28.0%, 24.8%, 24.4% and 16.3% of our total purchases for the same year/period, respectively.

Supplier	Transaction amount <i>(RMB'000)</i>	% of total purchases in same year/period	Credit terms <i>(Days)</i>	Length of business relationship <i>(Years)</i>	Supplier background
<i>For the year ended December 31, 2020</i>					
Supplier A	632,089	28.0%	60-90	8.1	A domestic advertising agency and marketing service provider mainly engaged in film distribution, audio-visual product production and radio and television program production.
Supplier B	330,897	14.6%	60-90	6.8	A domestic advertising and marketing service provider mainly engaged in technical services in the field of computer software and hardware.
Supplier C	116,648	5.2%	30-60 ⁽¹⁾	6.7	A global information and communication infrastructure provider mainly providing joint-run channel/servers services.

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Supplier	Transaction amount <i>(RMB'000)</i>	% of total purchases in same year/ period	Credit terms <i>(Days)</i>	Length of business relationship <i>(Years)</i>	Supplier background
Supplier D	100,000	4.4%	15-20	5.5	A domestic advertising and marketing service provider and online game developer mainly engaged in marketing services and online game development.
Supplier E	87,736	3.9%	15	3.3	A domestic advertising and marketing service provider mainly engaged in technical services and technology development.
Total	<u>1,267,370</u>	<u>56.1%</u>			
<i>For the year ended December 31, 2021</i>					
Supplier A	1,182,352	24.8%	60-90	8.1	A domestic advertising agency and marketing service provider mainly engaged in film distribution, audio-visual product production and radio and television program production.
Supplier F	960,850	20.1%	45	7.1	A domestic advertising and marketing service provider mainly engaged in digital content production services and digital cultural and creative content application services.
Supplier C	338,480	7.1%	30-60 ⁽¹⁾	6.7	A global information and communication infrastructure provider mainly providing joint-run channel/servers services.
Supplier G	304,993	6.4%	60-90	2.3	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Supplier H	293,345	6.1%	60-90	2.2	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Total	<u>3,080,020</u>	<u>64.5%</u>			

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<u>Supplier</u>	<u>Transaction amount</u> <i>(RMB'000)</i>	<u>% of total purchases in same year/ period</u>	<u>Credit terms</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Supplier background</u>
<i>For the year ended December 31, 2022</i>					
Supplier A	1,902,652	24.4%	60-90	8.1	A domestic advertising agency and marketing service provider mainly engaged in film distribution, audio-visual product production and radio and television program production.
Supplier F	1,322,015	17.0%	45	7.1	A domestic advertising and marketing service provider mainly engaged in digital content production services and digital cultural and creative content application services.
Supplier H	792,497	10.2%	60-90	2.2	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Supplier C	321,406	4.1%	30-60 ¹	6.7	A global information and communication infrastructure provider mainly providing joint-run channel/servers services.
Supplier G	253,720	3.3%	60-90	2.3	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Total	<u>4,592,290</u>	<u>59.0%</u>			
<i>For the four months ended April 30, 2023</i>					
Supplier A	340,905	16.3%	60-90	8.3	A domestic advertising agency and marketing service provider mainly engaged in film distribution, audio-visual product production and radio and television program production.
Supplier F	327,016	15.7%	45	7.1	A domestic advertising and marketing service provider mainly engaged in digital content production services and digital cultural and creative content application services.

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<u>Supplier</u>	<u>Transaction amount</u> <i>(RMB'000)</i>	<u>% of total purchases in same year/ period</u>	<u>Credit terms</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Supplier background</u>
Supplier H	160,814	7.7%	60-90	2.2	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Supplier I	143,240	6.9%	30-60 ⁽¹⁾	7.2	A wholly-owned subsidiary of a leading Internet company listed on the Stock Exchange and a provider of information and communication infrastructure.
Supplier G	142,082	6.8%	60-90	2.3	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Total	<u>1,114,057</u>	<u>53.4%</u>			

Note:

(1) The term indicates when the payment is due from collaborating distribution channel to us.

Among our five largest suppliers in each year/period during the Track Record Period, Supplier C was one of our major collaborating distribution channels involved in our game publishing business under the joint-run model. Supplier C is a multinational privately held technology corporate headquartered in Shenzhen, Guangdong province, mainly engaged in the provision of networking products and telecommunication solutions. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, the commission we paid to Supplier C amounted to RMB116.6 million, RMB306.4 million, RMB304.9 million and RMB67.8 million, respectively. Pursuant to our business arrangements with Supplier C, the percentage of gross billings withheld by and attributable to it during the Track Record Period was approximately 50% of the total gross billings that end users paid for the relevant game products in which Supplier C is involved. Supplier C is Channel A as disclosed on page 403 of this document.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers for each year/period during the Track Record Period. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there had been no past or present relationships (including, without limitation, business, family, trust, employment, shareholding, financing or otherwise) between us and our five largest suppliers for each year/period, including, to the knowledge of our Directors, such suppliers'

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their respective subsidiaries, shareholders, directors, senior management and their respective associates.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply.

Overlapping of Clients and Suppliers

One of our five largest clients in each year/period of the Track Record Period, Client C, and one of our five largest suppliers in 2020, Supplier D, belong to the same group which primarily engages in the development of computer and network technologies and provision of related goods and services, including online games and mobile games. Supplier D was established in Hangzhou in December 2014, primarily focused on the research and development of game products, and is controlled by an Independent Third Party. The initial registered capital of Supplier D was RMB2.9 million. It currently has a team of over 200 employees dedicated to the development of innovative game products. Therefore, in addition to providing marketing services, Supplier D also has extensive experience in development of online games. In 2020, we engaged Supplier D to develop two online games tailored for the preferences of the players under the Tan Wan brand based on the insights we accumulated (the “Tailored Game Products”). These two games are RPG games. As of the Latest Practicable Date, these games were undergoing final-stage development and testing and we plan to launch these games based on market conditions after its development and testing are completed. After these two games are launched, they will be included as self-owned games in our game product portfolio. We reached a collaboration agreement with Supplier D based on our diligence on Supplier D’s game development record and the good collaboration history when it acted as our supplier. In addition, we provided online game marketing and operation services for the game products developed by Client C during the Track Record Period. Under this arrangement, we agreed to pay Supplier D a total fee of RMB100.0 million for the development of the Tailored Game Products. We have agreed to pay such an amount of fees because we believe the Tailored Game Products can better meet our marketing strategy and therefore can generate higher returns in the future. As of the Latest Practicable Date, the Tailored Game Products had not been launched.

In addition to Tailored Game Products, we also engaged another third party for the development of one self-owned game during the Track Record Period. The contract amount for the development of this game was RMB28 million. Such game was under final-stage development and testing as of the Latest Practicable Date. According to Frost & Sullivan, the amount we paid to these third parties for the development of our self-owned games are in line with the industry norm.

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, revenue we generated from Client C amounted to RMB288.7 million, RMB1,342.4 million, RMB2,796.3 million and RMB578.4 million, respectively, accounting for 10.1%, 23.4%, 31.7% and 23.6% of our total revenue, respectively. For the same years/periods, we paid a total amount of RMB100.0 million, nil, nil and nil to Supplier D, respectively, accounting for 4.4%, nil, nil and nil of our total purchases, respectively. Save as disclosed in this section, for the years ended

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December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, none of our five largest suppliers in each year/period was also our client in the same year/period that accounted for 1% or more of our revenue. Conversely, save as disclosed in this section, for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, none of our five largest clients in each year/period was also our supplier in the same year/period that accounted for 1% or more of our purchase amounts.

Our Directors confirmed that all of our sales to Client C and purchases from Supplier D were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis. Negotiation of the terms of our sales to Client C and purchases from Supplier D were conducted on an individual basis and the sales and purchases were neither inter-connected or inter-conditional with each other.

BRANDING AND MARKETING

Our marketing efforts are focused on promoting our brand, generating awareness of our services, creating sales leads and building thought leadership on relevant topics for our clients and prospects. We focus our go-to-market efforts on leveraging an advanced, data-driven sales management system to identify, nurture and target new clients and provide our existing clients with new solutions to grow their businesses. To obtain new clients, we create comprehensive demand generation programs. Our demand generation programs are a part of our overall marketing strategy to build brand awareness and secure new leads from game developer clients, aiming to create a predictable pipeline for your sales team. Our demand generation strategies typically include blogging, downloadable content, webinars, videos, influencer marketing, PR campaigns, industry and partner conferences. These sales and marketing efforts allow us to engage and retain a diversified client base across a spectrum of verticals and allow us to engage decision-makers and individual contributors at every level of our client’s organizations.

Our sales team is led by our senior management, including Mr. WU Xubo and Mr. LUO Xihu. Our sales team has a balanced mix of tenure and sales productivity to build and nurture relationships with our clients.

We believe there is a substantial opportunity to further grow our client base by continuing to make significant investments in our sales and marketing pipeline. We intend to pursue new clients and to expand our marketing capacity to increase awareness of our services, harness demand for our services and accelerate growth. Our efforts have already created a significant pipeline of opportunities for our sales organization, and we are currently focused on building a sophisticated sales operation to help achieve growth. While our service platform is built for organizations of different sizes and multiple industry sectors, our sales team will primarily focus their selling efforts on reputable enterprise clients, which we believe will lead to scale and operating leverage in our business model. Our new sales pipeline will also track and measure our marketing costs and results closely across all channels and business units to support our efforts to optimize our sales pipeline. We believe these changes will further reduce our sales cycle and lower client acquisition costs. Overall, we believe our new sales and go-to-market models will allow us to better serve the nuanced demands of new and existing clients across all industry verticals.

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DATA ARRANGEMENT AND PRIVACY

Data Arrangement

Upon prior authorization, we have access to and collect, store, process and analyze certain data arising from individual end-users using the game products or online literature we market and operate. The personal information we are authorized to access typically includes name, identity card number, e-mail, mobile phone number, address, published content, payment information, device information, log information and certain behavioral data, such as end-user login time, duration of using services, and searched content. We collect the following personal information of our end-users: (i) equipment information, including IP address, equipment identification number and equipment type, which are mainly used for player account security purposes; (ii) identity information, including names, age and identification numbers to protect minors in accordance with relevant PRC laws and regulations. and (iii) de-identified information on player’s behavioral data, including records of playing our games and purchasing in-game virtual items. We generally collect and process these information to ingests and analyze the preferences of our end-users. By doing this, we are able to accurately identify the target user groups and create customized advertising materials to achieve precise end-user engagement. We are allowed to access, store, integrate, process and analyze in our database, unless the authorizing party asks us to delete from our database the related data. In addition, we store in our database and own the data insights we generate after processing and analyzing the personal information provided to us.

Data Security

The security and protection of personal information in accordance with the PRC Cyber Security Law are one of our highest priorities. We have established comprehensive internal policies for protecting data security and an information security team. Our internal control system focuses on data security and personal information protection. This includes our policies regarding data security, management of data security, and data classification and categorization. Our internal control protocols cover the full lifecycle of data processing, including data collection, data quality management, data encryption and transportation, data storage security, data backup and recovery, data processing and analytics, proper use of data, data destruction and disposition.

Set forth below are the details of the measures we have taken to protect data security.

- *Comprehensive data governance and related internal control measures.* We have put in place a comprehensive employee confidentiality system, data usage approval procedures, and an internal audit mechanism for data tracing to ensure the security of our database. We have established an all-around information system in compliance with the highest-level data security requirements. Our data protection and privacy policies are focused on ensuring that: (i) our collection of personal data is conducted in accordance with applicable laws and regulations, and (ii) personal data we collect are reasonable for the purposes for which they are collected. We maintain strict control

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over access to personal data and strict assessment and approval procedures to prohibit invalid or illegitimate uses. We manage access to personal data based on strict necessity and maintain records of data access. Our policies require new products and services that involve access to or processing of personal data to be subject to assessment and approval procedures. We store personal data in accordance with applicable laws and regulations. As the laws and regulations relating to data security evolve, we will adjust our internal policy and procedures with respect to data security protection to ensure compliance.

- *Comprehensive internal data privacy policies and related internal control measures.* At the company level, we have established policies such as employee handbooks and information security management systems which stipulate the standardized procedures for the management of security data and potential risks. At the department level, each department has formulated specific departmental rules and regulations based on its own operational needs. In particular, the departments with access to the data processing platform have put in place more strict requirements on the authorization and operation of data processing. We also regularly organize presentations and training sessions related to data security to strengthen employees' awareness of data security compliance on both corporate level and department level.
- *Strict data access and processing policies and related internal control measures.* We manage access to personal data based on strict necessity and maintain records of data access. Access to and operation of data will be logged and monitored and subject to review. To process data for a particular purpose, the related employees in charge of the project are required to submit an application for internal review and obtain an access approval with a definite expiration date, normally by the end of the relevant project. Abnormal access and operation will trigger an automatic warning or alert from the platform. We require all our employees to comply with our internal policies and protect the privacy and personal information, and we strictly prohibit unauthorized or improper collection or use of such data or personal information. In addition, We have adopted and implemented a robust internal control system focusing on data security and personal information protection. This includes our policies regarding data security, management of data access and data classification and categorization. Our internal control protocols cover various aspects of data processing including data collection, data transportation, data storage security, data backup and recovery and proper use of data. We require all of our employees to comply with our internal policies and protect privacy and personal information, and we strictly prohibit unauthorized or improper collection or use of such data or personal information.
- *Strict enforcement of data security policies.* Our information security department will investigate the event in a timely manner if the platform sends out any automatic warning or alert and evaluate the impacts. We take appropriate security measures against any abnormal or suspicious requests or behaviors if the automatic warning or alert signals any real problems. In addition, we require our employees to acknowledge and sign confidentiality agreements before entering into employment contracts. We have implemented stringent data security monitoring and alert systems for sensitive

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data. Our data security committee will investigate the event in a timely manner if the data platform sends out any automatic warning or alert and evaluate the impacts. We take appropriate security measures against any abnormal or suspicious requests or behaviors if the automatic warning or alert signals any real problems. We have the right to dismiss any employee if they illegally misuse or leak our data or cause any damage to us or our clients and may also pursue further legal proceedings against them. We prohibit employees from storing any work-related documents, files or data on unauthorized servers or personal computers. We also regularly organize presentations and training sessions related to data security to strengthen employees’ awareness of data security compliance.

- *Strict encryption measures against personal data.* We use encryption technologies to protect the transmission and storage of personal data and conduct periodic testing and assessment to determine the efficiency of our data processing and management technologies. Our encryption technologies enable us to detect, encrypt or remove personal identifiers, including identity card number and other sensitive information that can identify an end-user pursuant to the PRC Cybersecurity Law, Personal Information Law and other applicable PRC laws and regulations.
- *Stringent system protection measures.* We have established a data security committee consisting of employees from different departments. Our data security committee is mainly responsible for the overall information security management work, promoting the implementation of information security work and formulating information security policies and information security management goals. We continuously update our data protection and privacy systems to strengthen data protection and eliminate system attacks, including data monitoring, firewall systems, data encryption technology, system login protection and data backup.

In respect of the encryption technologies and method, we generate a code for each personal data label through irreversible encryption of the related identification information field, which will be used as the master index and does not contain any personally identifiable information itself. Encrypted data are indexed using the code instead of identifiable information. The code also allows us to compare and detect duplicated records of the same end-user and delete duplicated data. From a mathematical perspective, this personal information to code transformation cannot be decrypted or reversed. Thus, it is impossible to determine an end-user’s identity through encrypted data. In addition, the encryption process is purely automatic, as our algorithm model can accurately detect personal information to be encrypted into the code without human supervision, thereby protecting personal information from human access without compromising our ability to analyze the underlying data. Furthermore, the encryption works like a mathematical function where the same input will always generate the same output under the same algorithm. Using the same code generated separately in multiple transactions, we are able to match multiple transaction records of a single end-user. The encryption is completed within our servers or private cloud under our full control to further ensure the protection of identities.

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As of the Latest Practicable Date, we possessed personal information of more than one million users. During the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with all applicable laws and regulations in the PRC on data privacy and security and we have not been subject to any material legal or regulatory proceedings in that regard. To the best knowledge of our Directors, we believe we had complied in all material respects with all applicable laws and regulations in the PRC on data privacy and security, and we have not been subject to any material legal or regulatory proceedings during the Track Record Period. We will closely monitor and assess the latest development and requirements of new regulations and timely implement necessary measures.

COMPETITION

The online game publishing business is highly competitive, and we expect more competitors to emerge. We face competition from a number of competitors who market and operate game products, some of which include features that compete with the products we market and operate. Specifically, we face competition from online game developers and distributors who are primarily focused on global markets. Many of our competitors enter the mobile game industry on a regular basis, some of which see significant success in a short period of time.

The mobile game market is characterized by intense competition because of the evolving distribution models, frequent new product introductions, short product lifecycles, lowered gross margins and high price sensitivity. Our competitive market is highly fragmented with most competitors focused on specific use cases, end markets and/or types of point solutions. We believe the principal factors that drive competition between competitors in our market include:

- quality of end-user experience;
- ability to invest in leading technology;
- game product capabilities, including flexibility, scalability, performance, security and reliability;
- volume and leverage of user data and analytics;
- brand awareness and reputation;
- access to collaborating distribution channels and multi-channel automation; and
- ability to expand to adjacent industries.

We believe we compete favorably with the abovementioned factors. Moreover, our future success also depends on our ability to enhance our existing online game publishing business, and introduce new services on a timely and cost-effective basis. Successful execution of our strategy primarily depends on our continuous ability to attract and retain our clients, expand the end-user reach and maintain a technological edge.

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HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Since our founding, we have been highly committed to sustainable corporate responsibility projects, both through charitable endeavors and by extending our efforts to benefit the society at large. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. We strive to operate our workplace and data centers in a manner that protects the environment and the health and safety of our employees and communities. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

Environmental, Social and Governance

We have in place an environmental, social and governance (“ESG”) policy which sets out key ESG-related objectives and responsibilities. The Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Company, and evaluating, determining and addressing our ESG-related risks. In order to effectively implement the relevant work of ESG management, we have established an ESG working group, comprising representatives from our various departments (e.g. human resources, general administration, information technology, sales and marketing). The ESG working group reports to the Board and oversees our ESG strategies, daily operations and risk management. Pursuant to our ESG policies, our ESG working group needs to meet no less than annually to identify, evaluate and manage progress of annual key objectives agreed by our Board. Where the ESG working group considers it necessary, it may engage a third-party consultant to support us in fulfilling our ESG objectives. In addition, we have incorporated ESG-related matters into various training programs for our employees. The ESG working group has the primary responsibility for preparing our ESG report. Our ESG working group reports directly to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving the publication of our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

We are committed to innovating green and renewable strategies including: (i) minimizing carbon footprint by utilizing as much green power, renewable fuel, reclaimed water and recycled materials as possible; (ii) implementing a methodic sustainability approach featuring water management and variable- frequency cooling systems; and (iii) phasing in the implementation of IoT devices and replacing inactive or under-used servers with cloud servers with lower energy usage yet high computing power. For manufacturing or delivery of our consumer product business, we engage third-party manufacturers and logistics service providers to carry out these functions. Therefore, we have encountered no material accidents in our course of business, and we do not believe we are subject to significant environmental, health and workplace safety regulation in any jurisdiction in which we conduct business.

We prescribe transparent procurement procedures for selecting suitable suppliers in a fair, impartial and open manner. Our procedures ensure fair competition during our procurement,

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including adopting objective selection criteria. These procedures protect the interests of both our Company and the supplier. Our procurement considerations, including but not limited to service quality, pricing and delivery time, and reputation. In addition, we only partner with third party suppliers that comply with certain ESG criteria to ensure the quality of our products. In particular, we are committed to reducing the environmental impact from our plastic packaging by decreasing our associated carbon footprint and eliminating plastic packaging that cannot be recycled, reused or repurposed.

ESG Metrics and Targets

Greenhouse Gas

Greenhouse gas (“GHG”) emissions are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks, and opportunities in our investments, it is integral to measure and disclose our carbon footprint as a first step in our ESG journey. Considering our business nature, substantially all of our greenhouse gas emissions are categorized as scope 3 emissions. For the four months ended April 30, 2023, we recorded approximately 135 tons of scope 3 emissions for our head office in Guangzhou.

GHG emissions are produced by us mainly due to the use of electricity during our daily operation. Climate-related issues are among our key agenda. By the end of 2025, we aim to reduce 10% of scope 3 emissions. Our current target is to gradually adopt more environmentally friendly measures and reduce our energy consumption in our daily operation. The data will serve as a foundation of developing more relevant energy reduction strategies and setting appropriate reduction targets for our Company in the future.

Resource Consumption

The Board will set metrics and targets for material KPIs for each financial year with reference to the disclosure requirements of Appendix 27 to the Listing Rules. Considering the nature of the mobile game business, the Board has identified energy and water as the key metrics and targets, of which we will endeavor to apply measures to conserve. These include the volume of electricity in kilo-Watt-hour (“kWh”) and water in square meter consumed by our office premises. Our electricity consumption is primarily used for the operation and maintenance of our office equipment and appliances, such as computers, the level of which is generally associated with our business scale and number of employees. The table below sets forth the resource consumption of our head office in Guangzhou in 2022 and the four months ended April 30, 2023.

<u>Type of energy/resources</u>	<u>For the year ended December 31, 2022</u>	<u>For the four months ended April 30, 2023</u>
Electricity	1,712,722.3 kWh	398,582.83 kWh
Water	16,582.0 m ²	3,469.9 m ²

We strive to use resources effectively and minimize the discharge of wastes. In the ordinary course of business, we actively engage employees on the importance of energy conservation. We

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have implemented the following measures to conserve electricity and water, including: (i) keep indoor air-conditioning temperature at 26°C during summer; (ii) encourage staff to print in black and white, and avoid wasting paper; and (iii) reminding the staff to completely switch off computers and electronic devices after office hours or when they are not in use. We will implement the following electricity and water consumption targets (taking into account of the expected increase of number of employees and consumption in line with our business expansion) for the year ended December 31, 2023.

Type of energy/resources	Annual performance target for the year ended December 31, 2023
Electricity	2,016,630.0 kWh
Water	18,642.8 m ²

Health and Safety

The table below sets forth the health and safety incidents of our head office in Guangzhou in 2022 and the four months ended April 30, 2023.

	For the year ended December 31, 2022	For the four months ended April 30, 2023
Work related fatality	0	0
Lost days due to work injury	0	0

Employment

We have established rules and procedures of recruitment, job promotion, compensation, benefits, rest periods, dismissal, etc., to protect our employees’ rights. During recruitment and job promotion, we follow the principle of “selection on merit”, taking into account the performance, work experience and capability of the applicant or employee. We advocate a diverse and equal workforce culture by ensuring that applicants and employees are not discriminated against on the basis of gender, age, race, family status or physical disability. We determine employees’ compensation packages on the basis of work performance and the market standard of remuneration. All of these measures aim to provide our employees with a fair work environment.

Development and Training

We believe that retaining talent and promoting teamwork are key to our long-term development, and are committed to enhance the professional knowledge and skills of our employees. We regularly participate in training seminars on topics such as compliance and corruption prevention. We provide all employees with orientation training, including an introduction to corporate culture and on-the-job training, which enable them to quickly integrate into our Company and adapt to their jobs. To encourage development, we conduct employee assessments at the end of each year. Depending on their performance and responsibilities, we provide employees with promotion and training opportunities.

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Corruption prevention

We strive to be ethical in our business operations, and do not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. Our Directors confirm that we comply with the laws and regulations regarding bribery, extortion, fraud and money laundering in all material aspects. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we received no allegations against us or our employees regarding bribery, extortion, fraud or money laundering. We require all employees to comply with professional ethics, and prohibit any form of corruption. Employees who are found to have committed corruption will be discharged from their duties and be held accountable for his/her judicial responsibility.

Sustainable Packaging

We continue to deepen the concept of green operation, actively promote the use of recycled materials for the packaging for our consumer product business. We have taken into account the environmental impact in selecting our suppliers for packaging, aiming to decreasing our associated carbon footprint and eliminate plastic packaging that cannot be recycled, reused or repurposed.

ESG Risks Identification, Assessment and Management Process

The ESG working group will meet no less than annually to identify, evaluate and manage progress of annual key objectives agreed by our Board. The ESG working group adopts a control and risk self-assessment methodology and continuously assesses and manages its ESG and climate-related risk profile. ESG and climate-related risks that are relevant to our business are identified, assessed and ranked according to their likelihood, financial consequence and reputation impact on us. Where the ESG working group considers it necessary, it may engage a third-party consultant to support us in fulfilling our ESG objectives. We will incorporate ESG-related matters into various training programs for our employees. The ESG working group will also have primary responsibility for preparing our ESG report and devising mitigation and management measures to alleviate ESG risk and impact. The ESG working group will report to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving the publication of our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

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CORPORATE SOCIAL RESPONSIBILITY

Since our founding, we have been highly committed to sustainable corporate responsibility projects, both through charitable endeavors and by extending our efforts to benefit the society at large. During the Track Record Period, our achievements and initiatives in the area of corporate social responsibility include the following:

COVID-19 Relief Effort

During the COVID-19 pandemic in China, we have done our utmost to help people. Immediately after the announcement of quarantine in Wuhan, we put together a task force to lead our epidemic relief efforts and took swift action to support the nationwide fight against the pandemic, including making donations to the Red Cross Society. We took the health and safety of our employees as our top priority. We provided all of our employees with masks and other protective equipment immediately after the outbreak. This reflects our long-held belief that the best approach to corporate social responsibility is through embedding elements of social responsibility in our business model.

Philanthropic Efforts

We have established a charity foundation. Through the charity foundation and our services, we channel the end-users to various public welfare activities, cultivate end-users’ public welfare awareness and habits, and promote the concept of involvement in public welfare. In addition, to fulfill our social responsibility and mitigate inequality in allocating public welfare resources, we participated in charitable donations to regions with limited resources. For example, starting from 2017, our charity foundation has launched a series of charitable events, through which we made donations valued over RMB10.0 million primarily to poverty areas and areas suffering from natural disasters in Guangdong Province and Jiangxi Province, and to students and schools in less developed areas in Shaanxi Province and Anhui Province.

Our People

We continuously invest in the training and career development of young talents. We have always striven to provide our engineers and other employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. We support the physical and behavioral health and well-being of our team members and their families by providing an array of programs that help our people and their loved ones stay at their best level of health. Our workforce is as diverse as the community we serve, and we believe that everyone deserves respect. We are committed to the education, recruitment, development and advancement of diverse team members worldwide, and are recognized for our commitment to those efforts. We not only focus on the improvement of employees’ professional development but have made efforts to incentivize our employees to have a “sense of goals” and “sense of fulfillment.” Additionally, we place special emphasis on the building of a talent

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pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

Public Awareness Education

We have endeavored to raise public awareness of the limits on minors’ video game play time. For example, we have imposed measures on the account of minors as required by their parents, and shall provide necessary assistance to the parents by performing continuous follow-up observation and timely reporting the activities of such account, in order to curb or prohibit improper in-game behavior of minors.

Data privacy and protection

We are committed to protecting personal information and privacy. We have established and implemented a strict company-wide policy on data aggregation and processing. See “— Data Arrangement and Security” for more details.

INTELLECTUAL PROPERTY

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of April 30, 2023, we had (i) 11 issued patents and one patent application; (ii) 1,610 granted trademarks and 205 trademark applications; (iii) 286 granted computer software copyrights; (iv) 77 fine art and photographic copyrights; and (v) 102 granted domain names. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims in relation to our registered intellectual property that will have a material adverse effect on our business, results of operations or financial condition.

We have put in place comprehensive intellectual property protection policies and related internal control systems to ensure our ability to obtain and maintain the intellectual property and proprietary protections for the commercially important technologies, inventions and know-how related to our business, defend and enforce our intellectual property rights, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties. Highlights of our intellectual property protection policies and related internal control system include the following:

- We perform searches on related intellectual property rights to make sure our intellectual property rights will not be challenged.

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- We file copyrights, trademarks and patents with the relevant authorities to protect our brand image and technological innovations. We regularly monitor third-party actions to protect our IP and take appropriate measures against any infringement.
- We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our business partners. We have entered into confidentiality agreements and non-competition agreements with our senior management and other employees who have access to trade secrets or confidential information about our business. Our confidentiality agreements and non-competition agreements contain an assignment clause under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee’s work.
- We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining the physical security of our premises and the physical and electronic security of our information technology systems.

In addition, to market and operate a game product developed by our clients, we need a due authorization from our clients. We perform due diligence on their intellectual property rights before entering into an agreement with them and request that representations be made on the part of the client that (i) the authorized product is not subject to any third-party claims and (ii) the client, as a developer of the product, has controls and procedures in place to adequately protect technology and intellectual property from potential compromise. In addition, we have also put in place internal policies and measures to guide our game product marketing and operation activities without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

During the Track Record Period, we had not been subject to any material intellectual property infringement claims. For a description of the ongoing IP litigations, please see “— Legal Proceedings and Compliance — Legal Proceedings.”

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EMPLOYEES

As of April 30, 2023, we had 1,453 full-time employees, all of whom were based in China. The following table sets forth the numbers of our employees categorized by function as of the date indicated:

	<u>As of April 30,</u>	
	<u>2023</u>	
	<u>Number of</u>	<u>% of total</u>
	<u>employees</u>	
Operations	457	31.5%
Research and development	335	23.1%
Sales and marketing	494	34.0%
General administration	167	11.5%
Total	<u>1,453</u>	<u>100.0%</u>

We have always striven to provide employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. Furthermore, we are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

As required by relevant laws and regulations in China, we participated in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension insurance, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. We participate in and make contributions to those social security plans and employee benefit plans, either by ourselves or through some qualified human resource service providers on behalf of us. We enter into legal agreements with those human resource service providers. Pursuant to the legal agreements, the human resource service provider shall make the contributions as stipulated by applicable laws and regulations for certain employees of us, the relevant cost of the social insurance and housing fund is ultimately born by us.

We are committed to establishing competitive and fair remunerations. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluations for our employees quarterly to

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provide feedback on their performance. Compensation for our staff typically consists of a base salary and a performance-based bonus.

We typically enter into standard employment agreements and separate confidentiality agreements or clauses with our senior management and core personnel. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after the termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

INSURANCE

We have obtained insurance to cover certain potential risks and liabilities. In particular, our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations. We also purchase supplemental commercial medical insurance and accident insurance for our employees.

During the Track Record Period, we did not make any material insurance claims in relation to our business. We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. However, our insurance policies are subject to standard deductibles, exclusions and limitations. As a result, our insurance policies may not be able to cover all of our losses, and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. For details, please see “Risk Factors — Risks Relating to our Business and Industry — We may not have sufficient insurance coverage to cover our business risks.”

PROPERTIES

Our corporate headquarters is located at Building B, Wei Chuang Center Office, No. 9, Aoti South Road, Huangcun Administrative Street, Tianhe District, Guangzhou. As of the Latest Practicable Date, we did not own any properties and operated our businesses through 21 leased properties with an aggregated gross floor area of approximately 32,311 square meters in Guangzhou, Shenzhen, Chengmai and Shangrao. Our leased properties in the PRC are primarily serve as our offices with lease expiry dates ranging from November 30, 2023 to February 14, 2034. During the Track Record Period, we did not experience any material dispute arising out of our leased properties. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to expand our data center network by leasing, building, or purchasing additional facilities across China over the next several years.

As of April 30, 2023, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section

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342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

LICENSES AND PERMITS

Our PRC Legal Adviser has advised us that we had obtained material licenses, approvals and permits that are material for our business operations in the PRC during the Track Record Period (including Value-added Telecommunications Operation License (增值電信業務經營許可)), which are set forth in the following table. In the opinion of our PRC Legal Adviser, all of our major subsidiaries in the PRC had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business during the Track Record Period.

We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations. Our PRC Legal Adviser has advised us that there is no material legal impediment to renewing such permits or licenses provided that we have complied with all the related requirements under the applicable PRC laws and regulations.

Our PRC Legal Adviser is of the view that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all the relevant licenses and permits for our business on consumer product business, covering instant food and pop toy products.

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The following table sets forth a list of our material licenses, approvals and permits:

Name of License, Approval and Permit	Holder	Issuing Authority	Initial Grant		Expiration
			Date	Grant Date	Date
Value-added Telecommunications Operation License	Jiangxi Tanwan	Jiangxi Communications Administration (江西省 通信管理局)	August 17, 2015	April 27, 2022	April 27, 2027
	Shangrao Tanwan	Jiangxi Communications Administration (江西省 通信管理局)	May 20, 2021	May 20, 2021	May 20, 2026
	Shanghai Tanwan	Shanghai Communications Administration (上海市 通信管理局)	April 30, 2021	April 30, 2021	April 30, 2026
	Guangzhou Zhongxu	Guangdong Communications Administration (廣東省 通信管理局)	October 12, 2021	October 12, 2021	October 12, 2026
	Hainan Tanwan	Hainan Communications Administration (海南省 通信管理局)	December 15, 2020	December 15, 2020	December 15, 2025
	Poyang Weiru	Jiangxi Communications Administration (江西省 通信管理局)	March 29, 2021	March 29, 2021	March 29, 2026
	Guangzhou Tanwan	Guangdong Communications Administration (廣東省 通信管理局)	November 5, 2019	November 5, 2019	November 5, 2024
	Poyang Tanwan	Jiangxi Communications Administration (江西省 通信管理局)	September 4, 2018	April 17, 2023	April 17, 2028
	Guangzhou Feifan	Guangdong Communications Administration (廣東省 通信管理局)	December 28, 2021	December 28, 2021	December 3, 2026
	Guangzhou Bajuyou	Guangdong Communications Administration (廣東省 通信管理局)	September 3, 2019	January 5, 2021	September 3, 2024

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Name of License, Approval and Permit	Holder	Issuing Authority	Initial Grant Date	Grant Date	Expiration Date
	Hainan Zhangwan	Hainan Communications Administration (海南省 通信管理局)	April 8, 2021	April 8, 2021	June 24, 2025
	Guangzhou Huanle	Guangdong Communications Administration (廣東省 通信管理局)	May 13, 2022	May 13, 2022	May 13, 2027
Food Business License (食品經營許可證)	Guangzhou Chichi	Guangzhou Tianhe District Administration of Market Regulation (廣州市天河區市場監督 管理局)	September 11, 2018	June 18, 2021	April 22, 2026

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, neither we nor any of our Directors were involved in any actual or pending legal, arbitration or administrative proceedings, which, either individually or in the aggregate, will have a material adverse effect on our business, results of operations or financial condition. However, we are from time to time party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. For details of the relevant risks, please refer to “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.”

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Set forth below is a table summarizing the ongoing and recently-closed IP infringement proceedings we are subject to. We engaged Goldsun Law Firm (國信信揚律師事務所) as a third-party PRC litigation expert in connection with those lawsuits. As of the Latest Practicable Date, save as disclosed below, to the best knowledge of our Directors, we were not subject to any ongoing or threatened claims in relation to IP infringement involving any game products we were authorized to market and operate, whether or not they were still part of our product portfolio.

<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit A	Legendary World (傳奇世界網頁版), a game we are authorized by the game publisher to market and operate	January 2017	The web page version of the online game Legendary World (傳奇世界網頁版) marketed and operated by our Company infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇).	Ruled partially in favor of the plaintiffs, including (i) an order that the copyright infringement be ceased; and (ii) an order that awards the plaintiffs RMB0.2 million in monetary damages payable by our Company.	Our Company and other co-defendants have appealed to the Supreme People's Court of the PRC, seeking to reverse the lower court's rulings. In June 2023, this case was transferred to the High People's Court of Beijing City for trial. The timetable for the appeal hearing had not been confirmed as of the Latest Practicable Date.	<ul style="list-style-type: none"> • July 2017- Plaintiffs filed the lawsuit in Beijing Intellectual Property Court • July 2020- the lower court ruled partially in favor of the plaintiff • June 2023- the case was transferred to the High People's Court of Beijing City, following our appeal to the Supreme People's Court of the PRC • Current-appeal proceeding with the High People's Court of Beijing City

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<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit B	Dragon World (龍騰傳世), a game we are authorized by the game developer to market and operate	January 2017	(i) the mobile game Dragon World (龍騰傳世) marketed and operated by our Company infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Dragon World involves misleading advertising for using certain marketing slogans.	The IP infringement claim was expressly dismissed. Ruled partially in favor of the plaintiffs, including (i) an order that the misleading advertising be ceased; and (ii) an order that awards the plaintiffs RMB0.1 million in monetary damages payable by our Company.	Shanghai Intellectual Property Court upheld lower court's decision. We have fully paid the monetary damages in relation to this lawsuit and this lawsuit is closed.	<ul style="list-style-type: none"> • February 2018- Plaintiffs filed the lawsuit in the Primary People's Court of Shanghai Pudong New Area • June 2020-the court ruled partially in favor of the plaintiff • May 2023-Shanghai Intellectual Property Court upheld lower court's rulings • June 2023- We have fully paid the monetary damages in relation to this lawsuit and this lawsuit was subsequently closed

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<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit C	Legend of Guyun (古雲傳奇)*, a game we were authorized by the game developer to market and operate	March 2019	(i) the online game Legend of Guyun (古雲傳奇) marketed and operated by our Company infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Legend of Guyun involves misleading advertising for using certain marketing slogans.	Ruled partially in favor of the plaintiffs, including (i) an order that the operation of the game at issue be ceased until the allegedly infringing commercial features are removed from Legend of Guyun; (ii) an injunction against future misleading advertising; and (iii) an order that awards the plaintiffs RMB2.85 million in monetary damages jointly and severally payable by our Company and the other co-defendants.	Our Company and other co-defendants have appealed to the High People's Court of Sichuan Province, seeking to reverse the lower court's rulings. In June 2023, the appeal hearing had been held and the ruling was pending as of the Latest Practicable Date.	<ul style="list-style-type: none"> • October 2019- Plaintiffs filed the lawsuit in the Intermediate People's Court of Chengdu City of Sichuan Province • December 2021-the court ruled partially in favor of the plaintiff • June 2023-the appeal hearing had been held with the High People's Court of Sichuan Province and the ruling was pending as of the Latest Practicable Date

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<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit D	Legend of Lanyue (藍月傳奇), a game we are authorized by the publisher to market and operate	April 2016	(i) the online game Legend of Lanyue (藍月傳奇) marketed and operated by our Company infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Legend of Lanyue involves unfair competition.	Ruled partially in favor of the plaintiffs, including (i) an order that the copyright infringement be ceased; and (ii) an order that awards the plaintiffs RMB6.0 million in monetary damages payable by our Company and the other co-defendants.	The final decision of High People's Court of Zhejiang Province has been delivered to us in April 2023, which upheld the lower court's decision. As of the Latest Practicable Date, the lawsuit was under enforcement procedures.	<ul style="list-style-type: none"> • July 2019- Plaintiffs filed the lawsuit in the Intermediate People's Court of Hangzhou City of Zhejiang Province • May 2021-the court ruled partially in favor of the plaintiff • March-April 2023-the lower court's decision was upheld by the High People's Court of Zhejiang Province • April 2023- we paid the monetary damages for this lawsuit • Latest Practicable Date-The lawsuit was under enforcement procedures

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<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit E	The Legend of Mir II (熱血傳奇) IP	N/A	(i) the collaboration agreement and other ancillary documents allegedly entered into among one of our Company's joint ventures and two other co-defendants infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our Company's joint ventures, another co-defendant and our Company involves misleading information and commercial defamation of the plaintiff.	Pending	This lawsuit was still at its early stage as of the Latest Practicable Date.	<ul style="list-style-type: none"> March 2021- Plaintiff filed the lawsuit in the High People's Court of Fujian Province

Note:

* We acquired the full ownership of Legend of Guyun (古雲傳奇) in 2022.

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Lawsuit A

In July 2017, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed a lawsuit in Beijing Intellectual Property Court alleging that the web page version of the online game *Legendary World* (傳奇世界網頁版) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with *The Legend of Mir II* (熱血傳奇). The plaintiffs sought (i) an injunction against future infringement and unfair competition and a cease and desist order to bar further operation of the allegedly infringing game; and (ii) RMB1.0 million in monetary damages from us and the other co-defendants. In July 2020, the court ruled partially in favor of the plaintiffs, including (i) an order that the copyright infringement be ceased; and (ii) an order that awards the plaintiffs RMB0.2 million in monetary damages payable by us. We did not believe there was an infringement in the first instance. First, the game at issue was licensed to us by the content provider after reasonable diligence was done. The due diligence we conducted before entering the collaboration agreement for this game product includes (i) conducting a background search on the game developer in terms of its history, qualifications and reputation; and (ii) engaging a third-party legal counsel to negotiate the terms and conditions of the collaboration agreement, including a representation in our collaboration agreements that the game developer possesses the complete and legal rights to operate, distribute or license the operation (as the case may be) of the relevant game. Second, we are entitled to indemnity from the content provider, indicating a level of assurance from the content provider that there was no infringement issue when the game was licensed to us. Therefore, we and the other co-defendants have appealed to the Supreme People’s Court of the PRC, seeking to reverse the lower court’s rulings. In June 2023, this case was transferred to the High People’s Court of Beijing City for trial. The timetable for the appeal hearing had not been confirmed as of the Latest Practicable Date.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that:

- the lower court’s ruling requires removal of the allegedly infringing elements and features from the web page version of *Legendary World* only and does not indicate that the web page version of *Legendary World* in its entirety infringes copyrights allegedly associated with *The Legend of Mir II*;
- the lower court’s ruling does not need to be enforced until such ruling is affirmed by the higher court; and
- even if the higher court denies our appeal, which is still at an early stage, and rules in favor of the plaintiffs, (i) we will still be able to continue the operation of the web page version of *Legendary World* once the allegedly infringing elements and features are removed from the web page version of *Legendary World*; and (ii) the monetary damages the plaintiffs are entitled to receive from us will likely not exceed RMB0.2 million.

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We are defending ourselves vigorously. Although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, taking into account the view of the PRC litigation expert, our Directors are of the view that:

- there will be no impediment to removal of the allegedly infringing elements and features from the web page version of *Legendary World* and removal of such allegedly infringing elements and features from the web page version of *Legendary World* will not have any material adverse effect on the operation of the web page version of *Legendary World* or on our business, results of operations and financial conditions, because (i) there is no technological difficulty or barrier to remove such alleged infringing elements; (ii) removal of such alleged infringing elements will not affect the operations of the game at issue. In particular, the players’ gaming experience is determined by a game product’s overall appeal, which does not depend on the existence of individual elements and features (such as virtual items like necklaces, rings, other accessories and tools) but is instead affected by the interactions of a broad range of substantive factors, from character development, play plot, to reward structure and incentives; (iii) we will still be able to continue the operation of the web page version of *Legendary World* once the allegedly infringing elements and features are removed from the web page version of *Legendary World*; and (iv) the monetary damages the plaintiffs are entitled to receive from us will likely not exceed RMB0.2 million, accounting for an insignificant portion of our revenue.
- we are entitled to the claimed monetary damages from the content provider or the licensor of the web page version of *Legendary World* pursuant to our collaboration agreement with the content provider or the licensor; and
- any unfavorable outcome of this lawsuit will not have any material adverse effect on the operation of the web page version of *Legendary World* or on our business, results of operations and financial conditions.

Lawsuit B

In February 2018, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed a lawsuit in the Primary People’s Court of Shanghai Pudong New Area alleging that (i) the mobile game *Dragon World* (龍騰傳世) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with *The Legend of Mir II* (熱血傳奇) and (ii) *Dragon World* involves misleading advertising for using certain marketing slogans. The plaintiffs sought (i) an injunction against future copyright infringement; (ii) an injunction against future misleading advertising; and (iii) RMB0.5 million in monetary damages from us and the other co-defendants. In June 2020, the court ruled partially in favor of the plaintiffs, including (i) an order that the misleading advertising be ceased; and (ii) an order that awards the plaintiffs RMB0.1 million in monetary damages payable by us. The court explicitly dismissed the copyright infringement claim. We and the other co-defendants did not believe there was an infringement in the first instance, and the court explicitly dismissed the copyright infringement claim. In addition, we and the other co-defendants and the plaintiffs have appealed to the Shanghai Intellectual

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Property Court. In June 2023, the Shanghai Intellectual Property Court upheld the lower court’s decision. As of the Latest Practicable Date, we had paid the monetary damages in full and the lawsuit was closed.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that:

- the allegedly misleading advertising had been ceased and the court explicitly dismissed the copyright infringement claim;
- we will still be able to continue the operation of the mobile game Dragon World; and
- we had fully settled the monetary damages of RMB0.1 million payable by us in June 2023.

Taking into account the view of the PRC litigation expert we engaged, our Directors are of the view that, this lawsuit will not have any material adverse effect on the operation of Dragon World or on our business, results of operations and financial conditions.

Lawsuit C

In October 2019, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed a lawsuit in the Intermediate People’s Court of Chengdu City of Sichuan Province alleging that (i) the online game Legend of Guyun (古雲傳奇) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Legend of Guyun involves misleading advertising for using certain marketing slogans. The plaintiffs sought (i) an injunction against future infringement and unfair competition; and (ii) RMB10 million in monetary damages from us and the other co-defendants. In December 2021, the court ruled partially in favor of the plaintiffs, including (i) an order that the operation of the game at issue be ceased until the allegedly infringing commercial features are removed from Legend of Guyun; (ii) an injunction against future misleading advertising; and (iii) an order that awards the plaintiffs RMB2.85 million in monetary damages jointly and severally payable by us and the other co-defendants. We did not believe there was an infringement in the first instance. First, the game at issue was licensed to us by the game developer after reasonable diligence was done. Second, we were entitled to indemnity from the developer in the original licensing agreement, indicating a level of assurance from the game developer that there was no infringement issue when the game was licensed to us. Therefore, we and the other co-defendants have appealed to the High People’s Court of Sichuan Province, seeking to reverse the lower court’s rulings. In June 2023, the appeal hearing had been held with the High People’s Court of Sichuan Province and the ruling was pending as of the Latest Practicable Date.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that:

- the lower court’s ruling requires removal of the allegedly infringing commercial features from Legend of Guyun only and does not indicate that Legend of Guyun in its entirety infringes copyrights allegedly associated with The Legend of Mir II;

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- the lower court’s ruling does not need to be enforced until such ruling is affirmed by the higher court; and
- in the event that the higher court denies our appeal, which is still at an early stage, and rules in favor of the plaintiffs, (i) we will still be able to continue the operation of Legend of Guyun once the allegedly infringing commercial features are removed from Legend of Guyun; and (ii) the monetary damages the plaintiffs are entitled to receive from us will likely not exceed RMB2.85 million.

We are defending ourselves vigorously. Although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, taking into account the view of the PRC litigation expert we engaged, our Directors are of the view that:

- the allegedly infringing commercial features do not constitute a material component of Legend of Guyun;
- the allegedly infringing elements and features from Legend of Guyun have been removed and the removal of such allegedly infringing elements and features from Legend of Guyun did not have any material adverse effect on the operation of Legend of Guyun or on our business, results of operations and financial conditions, because (i) removal of such alleged infringing elements did not affect the operations of the game at issue; (ii) we are able to continue the operation of the game at issue after the removal of the allegedly infringing elements and features; and (iii) the monetary damages the plaintiffs are entitled to receive from us will likely not exceed RMB2.85 million, accounting for an insignificant portion of our revenue; and
- any unfavorable outcome of this lawsuit will not have any material adverse effect on the operation of Legend of Guyun or on our business, results of operations and financial conditions.

Lawsuit D

In July 2019, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed a lawsuit in the Intermediate People’s Court of Hangzhou City of Zhejiang Province alleging that (i) the online game Legend of Lanyue (藍月傳奇) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Legend of Lanyue involves misleading advertising. The plaintiffs sought (i) an injunction against future copyright infringement and unfair competition; and (ii) RMB40 million in monetary damages from us and the other co-defendants. In May 2021, the court ruled partially in favor of the plaintiffs, including (i) an order that the copyright infringement be ceased; and (ii) an order that awards the plaintiffs RMB6.0 million in monetary damages payable by us and the other co-defendants. We and the other co-defendants did not believe there was an infringement in the first instance, but we had voluntarily removed the allegedly infringing elements and features of Legend of Lanyue after doing an internal benefit/cost analysis. We and the other co-defendants have appealed to the High People’s Court of Zhejiang Province, seeking to reverse the lower

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court’s rulings. On April 3, 2023, the final ruling of the High People’s Court of Zhejiang Province was delivered to us, which upheld the lower court’s decision. As of the Latest Practicable Date, the lawsuit was under enforcement procedures.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that the allegedly infringing elements and features of Legend of Lanyue have been removed from Legend of Lanyue, and Legend of Lanyue, as operated in its current form, contains no such elements or features.

Our Directors are of the view that the outcome of this lawsuit will not have any material adverse effect on the operation of Legend of Lanyue or on our business, results of operations and financial conditions, taking into account the following factors as well as the view of the PRC litigation expert we engaged:

- the allegedly infringing elements and features do not constitute a material component of Legend of Lanyue, which have been removed from Legend of Lanyue, and Legend of Lanyue, as operated in its current form, contains no such elements or features;
- the removal of such allegedly infringing elements and features from Legend of Lanyue has not had and will not have any material adverse effect on the operation of Legend of Lanyue or on our business, results of operations and financial conditions;
- we paid the monetary damages of RMB6.0 million in full in April 2023 and we are entitled to indemnity from the content provider of Legend of Lanyue pursuant to our collaboration agreement with the content provider.

Lawsuit E

In March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the High People’s Court of Fujian Province alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. The plaintiff sought (i) an injunction against the future operation of the marketing website; and (ii) RMB100.5 million in monetary damages from us and the other co-defendants. This lawsuit was still at its early stage as of the Latest Practicable Date.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that, (i) we are not a party to the collaboration agreement or any other ancillary documents at issue; (ii) we are not involved in the establishment or operation of the website at issue or other allegedly infringing conducts of our joint ventures; and (iii) it is highly likely that the court will rule in our favor and we will not undertake monetary damages.

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We are defending ourselves vigorously. Taking into account (i) the view of the PRC litigation expert we engaged and (ii) that the joint venture involved has agreed to indemnify us for the potential damages arising from this lawsuit, our Directors are of the view that, although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, this lawsuit is not likely to have any substantive impact on our business, results of operations and financial conditions.

Based on the foregoing and the due diligence work as further elaborated below, the Joint Sponsors are not aware of the material matter that would cause them to disagree with our Directors’ views that (i) with respect to Lawsuits A and C, any unfavorable outcome of the relevant lawsuits will not have any material adverse effect on the operation of the underlying games or our Group’s business, results of operations and financial conditions, (ii) with respect to Lawsuits B and D, the outcome of the relevant lawsuits will not have any material adverse effect on the operation of the underlying games or our Group’s business, results of operations and financial conditions, and (iii) with respect to Lawsuit E, the lawsuit is not likely to have any substantive impact on our Group’s business, results of operations and financial conditions.

In addition, in June 2022, the High People’s Court of Zhejiang Province issued a ruling affirming a lower court’s verdict that ruled in favor of Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, in connection with their claims that (i) the online game Prosperous World (盛世遮天) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Prosperous World involves unfair competition. The high court ruled that (i) copyright infringements involving certain allegedly infringing elements and features be ceased; (ii) the misleading advertising be ceased; and (iii) RMB2.3 million in monetary damages be payable by us and one of the other co-defendants, who were the game developers of Prosperous World. The allegedly infringing elements and features do not constitute a material component of Prosperous World, and removal of such allegedly infringing elements and features from Prosperous World will not have any material adverse effect on the operation of Prosperous World or on our business, results of operations and financial conditions. However, as Prosperous World had been at the decline stage in its product lifecycle during the Track Record Period, we had made a strategic decision to end the lifecycle and operation of Prosperous World in June 2021, a year before the high court’s ruling was delivered, as part of the routine adjustment to our product portfolio. In addition, as Prosperous World was no longer a part of our product portfolio, we had made a decision not to apply for a retrial of this lawsuit with the Supreme People’s Court of the PRC. We have paid in full RMB2.3 million in monetary damages payable by us.

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The table below sets forth a breakdown of the revenue attributable to the games subject to the ongoing lawsuits in absolute amount and as a percentage of our total revenue during the Track Record Period.

	For the Year Ended December 31,			For the Four Months Ended April 30,						
	2020	2021	2022	2022	2023					
	<i>(RMB in thousands, except for percentages)</i>									
Games subject to ongoing litigations										
Game L	63,521	2.2%	37,612	0.7%	21,572	0.2%	8,737	0.3%	6,324	0.3%
Game A	1,480,019	51.5%	1,370,291	23.9%	1,145,595	13.0%	438,908	15.4%	267,090	10.9%
Game M	77,255	2.7%	50,769	0.9%	24,072	0.3%	12,525	0.4%	6,265	0.3%
Total	<u>1,620,795</u>	<u>56.4%</u>	<u>1,458,672</u>	<u>25.5%</u>	<u>1,191,239</u>	<u>13.5%</u>	<u>460,170</u>	<u>16.1%</u>	<u>279,679</u>	<u>11.5%</u>

Revenue attributable to the games subject to the ongoing IP-related lawsuits, as a percentage of our total revenue, declined during the Track Record Period, accounting for 56.4%, 25.5%, 13.5%, 16.1% and 11.5% of our total revenue in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. We expect that the revenue percentage attributable to such games will continue to decline in the future, as we further diversity the game portfolio.

The table below sets forth a breakdown of the revenue attributable to the game product with settled IP-related lawsuit in absolute amount and as a percentage of our total revenue during the Track Record Period.

	For the Year Ended December 31,			For the Four Months Ended April 30,						
	2020	2021	2022	2022	2023					
	<i>(RMB in thousands, except for percentages)</i>									
Game C	273,843	9.5%	28,904	0.5%	—	—	—	—	—	—
Game E	148,604	5.2%	100,956	1.8%	76,813	0.9%	28,455	1.0%	15,955	0.7%
Total	<u>422,447</u>	<u>14.7%</u>	<u>129,860</u>	<u>2.3%</u>	<u>76,813</u>	<u>0.9%</u>	<u>28,455</u>	<u>1.0%</u>	<u>15,955</u>	<u>0.7%</u>

Internal Control Measures

To better safeguard ourselves against potential IP infringement risks, we have engaged an IP law specialist, Zhejiang Deepsoul Law Firm (浙江迪索律師事務所), to conduct internal trainings for us and to review the IP right registration certificates and the letters of licensing from the content developers. The IP law specialist also assists us in reviewing the representations and warranties from the licensors of the major self-developed game products that are not currently subject to legal proceedings regarding intellectual property rights of the underlying games and their undertakings on indemnifying us from and against the losses arising from the copyrights disputes in connection with the relevant games. In particular, under the terms of the relevant collaboration agreements, we are generally entitled to indemnity from the game developers, licensors or content providers for monetary damages arising from disputes that result from such collaborators’ breach of representations and warranties regarding their intellectual property rights with respect to the underlying games. Having considered the above and consulted our IP law specialist who has reviewed our policies and procedures, our Directors are of the view that we will be able to detect, prevent and mitigate IP infringement risks in the future and our existing game product portfolio is not subject to material infringement risks.

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Our Internal Control Consultant, after reviewing the findings of the IP law specialist, recommends that we take further measures to better detect, prevent and mitigate IP infringement risks in the future, including enhancing the infrastructure of our legal department and including more search items for our internal register which records details of our licensed IPs and games including their copyright registration numbers. Accordingly, we have adopted the following enhanced internal control measures:

- We have expanded our legal department to better monitor our intellectual property infringement risks. Before we enter into an IP licensing agreement, our legal department conducts independent background checks on the identity of the legal owner of the IP. For games developed based on IPs licensed by game developers, our legal department also requires the game developer to provide us with a power of attorney issued by the IP owner.
- Our legal department requires the game developer to provide its Computer Software Copyright Registration Certificate (軟件著作權登記證書) before we enter into any collaboration agreement, which also contains undertakings by the game developer to be the rightful owner of the game copyright.
- Our legal department maintains a register which records details of our licensed IPs and games including their copyright registration numbers, amongst others.
- We have formulated stringent internal procedures, for example, the “Game Launching Approval Procedure,” to standardize the approval process before launching new game products.

As confirmed by the Internal Control Consultant, it did not discover any material deficiencies during the internal control reviews relating to our IP infringement risks and therefore no follow-up internal control reviews were performed as of the Latest Practicable Date.

Our Directors are of the view that those ongoing IP lawsuits do not indicate negligence on the part of the Company or material deficiencies in our company’s internal controls for the following reasons:

- We operate in an industry where licensing and authorization constitute the ordinary course of business. According to Frost & Sullivan, it is not uncommon for a market participant, in particular, a competitive market participant like our Company, to be subject to claims or lawsuits by interested parties for any reason, including frivolous lawsuits based on unfounded claims.
- The PRC litigation expert we engaged concurs that, (i) the allegedly infringing elements and features of the games at issue do not constitute a material component of the related game; (ii) there will be no impediment to removal of the allegedly infringing elements and features or such elements and features have been removed voluntarily by us; and (iii) removal of such allegedly infringing elements and features has not had or will not

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have any material adverse effect on the operation of the games at issue. Considering the relatively short lifecycle of a game product, we will not provide reimbursement for end-users in the event that certain virtual items relating to the infringing elements are removed from our game products due to these legal claims. During the Track Record Period and up to the Latest Practicable Date, we had not received or been involved in any request from end-users to reimburse them for the removal of virtual items that are material to the game product or our business as a whole.

- We generally require the relevant content providers, licensors or game developer (as the case may be) to represent in our collaboration agreements that they possess the complete and legal rights to operate, distribute or license the operation (as the case may be) of the relevant games, and the aggregate monetary damages the plaintiffs may be entitled to receive from us only account for an insignificant portion of our total revenue.
- Our Internal Control Consultant, after reviewing the findings of the IP law specialist, agrees with our Directors that we will be able to detect, prevent and mitigate IP infringement risks in the future and our existing game product portfolio is not subject to material infringement risks. Our Internal Control Consultant conducted review work on the measures adopted by us to detect, prevent and mitigate IP infringement risks in the future and found that (i) we have adopted internal standards to regulate the review and approval processes of the launch of online games and fees charged. Such standards cover the game content, licensing and authorization documents and game publication numbers. We have also adopted internal standards for the review of advertising activities to regulate the continuous operation of game products; (ii) our Directors and responsible personnel receive trainings related to intellectual property protection from time to time to keep track of latest regulatory updates, raise awareness of intellectual property protection and improve our IP management system; (iii) before the launch of a game product, we typically conduct internal review to evaluate the risks of intellectual property infringement by reviewing relevant permits, licenses and approvals of the game product. We also engage external consultants to evaluate such risks if necessary; and (iv) we have engaged external legal consultants to review our legal rights in relation to the operation of our major game products and to verify the publication information and the requisite qualifications of such game products. Based on the above, the Internal Control Consultant finds that we have duly adopted the remedial measures recommended and taken the necessary steps to detect, prevent and mitigate IP infringement risks in the future.
- We have adopted enhanced internal control measures to better detect, prevent and mitigate IP infringement risks in the future.
- Our Internal Control Consultant is responsible for providing internal control reports on a regular basis, particularly with respect to IP related matters. We have been closely monitoring IP related issues and the ongoing litigations.

Based on the above, and because we conducted reasonable due diligence in connection with the relevant content providers, licensors or game developers (as the case may be) before we

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entered into collaboration agreements with our clients, we believe the alleged IP infringements were unintentional and did not involve any dishonest or fraudulent act on the part of our Directors, and our Directors are of the view that the above ongoing IP lawsuits do not negatively impact our Directors’ ability or tendency to operate our Company in an honest and compliant manner and thus do not negatively impact our Directors’ competency, integrity or suitability under Rules 3.08 and 3.09 of the Listing Rules. Our Directors have been attending trainings organized by external consultants including our IP law specialist and receiving reports from our legal department to understand the IP-related regulatory development and our compliance status.

The Joint Sponsors have conducted the following due diligence work with respect to the above ongoing IP lawsuits:

- (i) conducted the interview with our Company’s management and the responsible attorneys (the “**Representative Attorneys**”) engaged to represent our Group in the above ongoing IP lawsuits and reviewed the court papers, the Representative Attorneys’ legal memoranda in connection with the above ongoing IP lawsuits and the revenue breakdown by games at dispute, to understand, among others, (a) the background and the status of each of the ongoing IP lawsuits, (b) the revenue generated from the related games at dispute, (c) the impact of the ongoing IP lawsuits on our Group’s business operation and financial results, and (d) our Group’s litigation strategies, arguments and measures to mitigate the potential negative impacts;
- (ii) obtained and reviewed the collaboration agreements entered into between our Group on one side, and the relevant content providers, licensors or game developer (as the case may be) of the games at dispute on the other side, to understand the terms of collaboration and, in particular, the representation from the relevant content providers, licensors or game developer (as the case may be) that they possess the complete and legal rights to operate, distribute or license the operation (as the case may be) of the relevant games and their arrangements with our Group on liability allocation in the events of copyrights;
- (iii) discussed with Frost & Sullivan and the PRC litigation expert to understand their views as set out above in connection with the ongoing IP lawsuits; and
- (iv) conducted the background search through an independent background search agent on the PRC Operating Entities and independently conducted the desktop search on our Group’s top five games in terms of revenue contribution for each period during the Track Record Period, where no other ongoing IP lawsuits were identified.

The Joint Sponsors have conducted the following due diligence work with respect to the measures taken by our Group in relation to IP infringement risk management:

- (i) conducted the interview with our Company’s management to have an overall understanding on our Group’s policies, measures and procedures in its daily operations to detect, prevent and mitigate IP infringement;

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- (ii) obtained and reviewed (a) our Group's codified policies and regulations on IP management, trademark management, copyright management and patent management, and (b) the records retrieved from our Group's office automation system which shows the Group's legal team's IP-related review and evaluation procedures and results;
- (iii) discussed with the IP law specialist, and reviewed the review report issued by the IP law specialist, to understand, among others, the IP law specialist's findings from the review and recommendations; and
- (iv) discussed with the Internal Control Consultant and reviewed the internal control report issued by the Internal Control Consultant, to understand its views and recommendations as set out above.

To understand whether there is any implication on our Directors' competency, integrity and suitability to act as Directors from the above ongoing IP lawsuits, the Joint Sponsors have also (i) conducted the due diligence interview with each of our Directors and reviewed their academic diplomas, proofs of their past employment and industry related awards, (ii) obtained and reviewed our executive Directors' attendance records for IP-related training and the training materials, and (iii) conducted the background search through an independent background search agent on the PRC Operating Entities and our Directors, and reviewed the background search reports, where no material adverse findings were identified with respect to the competency, integrity and suitability of our Directors.

Based on the foregoing due diligence work and specifically having considered (i) our Group's due diligence in connection with the relevant content providers, licensors or game developers (as the case may be) conducted prior to entering into collaboration agreements with them (which generally includes, among others, conducting background searches on the counterparties in terms of their history, qualifications and reputation, and requesting a representation to be made by the counterparties in the collaboration agreements that they possess the complete and legal rights to operate, distribute or license the operation (as the case may be) of the relevant games), (ii) the assessments of our Internal Control Consultant and IP law specialist on our Group's measures taken to manage IP infringement risk as set out above, and (iii) the general industry background where it is not uncommon for a market participant, in particular, a competitive market participant like our Company, to be subject to claims or lawsuits by interested parties for any reason, according to Frost & Sullivan, the Joint Sponsors are not aware of any material matters that would cause them to disagree with our Company's view that the alleged IP infringements were unintentional and did not involve any dishonest or fraudulent act on the part of our Directors.

Based on the foregoing, the Joint Sponsors are not aware of any material matters that would cause them to disagree with our Directors' views that those ongoing IP lawsuits neither indicate negligence on the part of our Company, material deficiencies in our company's internal controls, nor negatively impact our Directors' competency, integrity, willingness to manage our Company's business in a law-abiding manner or our Directors' suitability under Rules 3.08 and 3.09 of the Listing Rules.

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Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any systematic non-compliance incidents.

Social Insurance and Housing Provident Fund

Background and Reasons for Non-Compliance

During the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for all of our employees. In 2020, 2021, 2022 and the four months ended April 30, 2023, the total outstanding amount of our social insurance and housing provident fund contributions was a reversal of RMB4.1 million, RMB20.8 million, RMB32.2 million and RMB3.2 million, respectively. We recorded a reversal of RMB4.1 million for outstanding amount of our social insurance and housing provident fund contributions in 2020 due to the deduction or exemption of payment of social insurance and housing provident fund contributions in 2020 as a result of relevant government relief policies in response to the COVID-19 pandemic. During the Track Record Period, the outstanding amount of social insurance and housing provident fund contributions generally increased, which was primarily attributable to (i) the increased headcount to support our continuous business expansion; and (ii) the increase in average salaries we paid to the employees. We did not make full social insurance and housing provident fund contributions for these employees primarily because the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the preference of many of our employees not to contribute to such fund. We believe that neither the outstanding social insurance contribution nor housing provident fund contributions will have a material adverse impact on our business and operations.

In addition, during the Track Record Period, we engaged third-party service providers to pay social insurance and housing provident funds for a small portion of our employees. Such arrangement, although not uncommon in China, are not in strict compliance with relevant PRC laws and regulations. As of the Latest Practicable Date, none of the third-party service providers that we cooperate with had failed to pay, or delayed in paying, any social insurance premiums or housing provident fund contributions for our employees. We have not received any inquiry from relevant government authorities in this regard.

Legal Consequences

Pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed period and may be subject to an overdue fine of 0.05% of the

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delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to Chinese courts for compulsory enforcement. As advised by our PRC Legal Advisers, pursuant to relevant Chinese laws and regulations, the maximum potential penalties would equal to three times of the shortfall of our social insurance contribution if we failed to make required payment within the prescribed period as required by the government. Pursuant to the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》 issued by the Ministry of Human Resources and Social Security on September 21, 2018, it is strictly prohibited for the relevant authorities to collectively initiate and proactively collect historical outstanding social security contributions from enterprises. Having considered the aforementioned relevant PRC laws and regulations, and the written/oral confirmation obtained from the competent authorities, we undertake that in the event that the competent authorities require us to make up for any shortfall in our contributions and/or pay any overdue fine, we would seek timely compliance. We will regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds and settle the outstanding amount of the social insurance and housing provident as required. Given the written/oral confirmations obtained from the competent authorities, the advice from our PRC Legal Advisers and the internal control and remedial measures outlined herein, this non-compliant incident will not have a material and adverse effect on our business operation and financial performance during the Track Record Period, up to the Latest Practicable Date.

In addition, if our arrangement with third-party service providers to pay social insurance and housing provident funds for a small portion of our employees is challenged by government authorities, we may be deemed to fail to discharge our obligations in relation to the payment of social insurance and housing provident funds through our own accounts as an employer. As promulgated in the PRC Social Insurance Law, if we fail to comply with the requirement within a specified timeframe, we may be liable for a maximum potential fine not exceeding three times of social insurance contribution. In addition, according to the Regulation on the Administration of Housing Provident Funds, if we fail to complete the process of registering housing provident fund payment and deposit or open housing provident fund accounts for our employees within a specified timeframe, we may be subject to a fine of not less than RMB10,000 but not more than RMB50,000.

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order or been informed to settle the deficit amount.

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Internal Control Measures

We have taken the following enhanced internal control measures in connection with social insurance and housing provident fund contributions:

- *Training.* Strengthen legal compliance training to our employees responsible for compliance matters, finance and human resources;
- *Policy.* Formulate an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement;
- *Review and record-keeping.* Designate our human resources staff to review and monitor the payment status on a monthly basis;
- *Increasing awareness of development in law.* Regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and
- *External consultation.* Consult external PRC legal counsel for advice on relevant PRC laws and regulations.

Having (i) discussed with our Company’s management to understand the background and the status of such non-compliance, (ii) reviewed the legal opinion issued by our PRC Legal Adviser to understand the legal implications of such non-compliance, (iii) discussed with our Internal Control Consultant and reviewed the internal control report issued by it to understand its findings and that having performed a follow-up review it had made no further recommendation on our internal control with respect to such non-compliance incident, and (iv) reviewed the training materials and records, our Group’s codified internal control policy in connection with social insurance and housing provident fund contributions, our Group’s engagement letter with the external PRC legal counsel and the records of regular internal checks, the Joint Sponsors are of the view that the above enhanced internal control measures provide our Group with reasonable means to keep track on the relevant legal and regulatory requirements and monitor the payment status of social insurance and housing provident fund contributions in order to comply with the relevant legal and regulatory requirements on an ongoing basis.

Filing of Property Lease Agreement

Background and Reasons for Non-Compliance

As of the Latest Practicable Date, we did not own any properties and operated our businesses through 21 leased properties with an aggregated gross floor area of approximately 32,311 square meters in Guangzhou, Shenzhen, Chengmai and Shangrao. As of the Latest Practicable Date, we had registered three of our leased properties. We did not register 19 of our leased properties primarily because (i) the related landlords were in the processing of obtaining the building ownership certificate; and (ii) there were no separate building ownership certificates

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for certain leased properties and therefore which cannot be registered as leased properties. For any of our leased buildings with any of the aforementioned defects, we believe we are able to find comparable properties as alternatives at commercially acceptable terms to us if we must stop occupying any of these leased buildings, without any delay, significant costs and interruption to our business.

Legal Consequences

As advised by our PRC Legal Advisers, failure to register lease agreements would not affect the validity and enforceability of such lease agreements. However, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements. The maximum penalty that we may be liable in relation to the failure of registering lease agreements during the Track Record Period was approximately RMB210,000. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities, and the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period. As advised by our PRC Legal Advisers, the defects of such leased buildings would not materially and adversely affect our business.

Internal Control Measures

In order to minimize the potential negative impacts of the above title defects on our operations, we have obtained confirmations from all the relevant lessors where they promise to guarantee our use under the lease agreements. In addition, we will make careful inspections of the title of leased buildings before signing the lease in the future. We will also consult our external legal advisor with regard to reviewing the title certificates and other documents of our new leased buildings in order to ensure compliance with applicable Chinese laws and regulations.

Having (i) discussed with our Company’s management to understand the background and the status of the non-compliance, (ii) reviewed the legal opinion issued by our PRC Legal Adviser to understand the legal implications of the non-compliance, (iii) discussed with our Internal Control Consultant and reviewed the internal control report issued by it to understand its findings and that having performed a follow-up review it had made no further recommendation on our internal control with respect to such non-compliance incident, and (iv) reviewed the confirmation letters from the relevant lessors, our Group’s internal guidelines and procedures in connection with new leased buildings evaluations and title inspections and our Group’s engagement letter with the external PRC legal counsel, the Joint Sponsors are of the view that the above enhanced internal control measures provide our Group with reasonable means to minimize the potential negative impacts of the above title defects on our operations and to comply with the relevant legal and regulatory requirements on an ongoing basis.

Product Returns and Product Recalls

We have formulated stringent product recall procedures. During the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any return of goods or products

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recall, safety or quality issues in connection with our consumer product business in any material respect; (ii) we were not subject to any material administrative or other penalties from the PRC government authorities in connection with product quality or food safety, and (iii) we did not receive any material complaints from consumers.

Impacts of the Recent Regulatory Changes on Our Business

Restriction on Play-time of Online Games by Minors and Real-name Registration Requirements

On August 30, 2018, the Ministry of Education (教育部) and seven other governmental departments of the PRC published the Notice of Issuance of the “Integrated Prevention and Control Program for Myopia among Children and Teenagers (《綜合防控兒童青少年近視實施方案》)” (the “**Notice**”). According to the Notice, the NPPA shall implement regulations on the total number of online games, control the number of new online games, explore the age-appropriate reminder system, and take measures to discourage the play-time of minors. For further details, please refer to “Regulatory Overview—Regulations on Real-Name Registration and Anti-Addiction” in this document.

On October 17, 2020, the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “SCNPC”) revised and promulgated the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020修訂)》), which took effect on June 1, 2021. Law of the PRC on the Protection of Minors (2020 Revision) added a new section entitled “Online Protections” which stipulates a series of provisions including but not limited to, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, and (ii) online games service providers may not provide online games services to minors from 10:00 P.M. to 8:00 A.M. the next day.

On August 30, 2021, the NPPA issued the Notice on Further Preventing Minors from Indulging in Online Games (《國家新聞出版署關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which became effective on September 1, 2021, imposing stricter time limits for playing online games by minors, and providing that online game operators may only provide online game services to minors on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m. In addition, pursuant to the minor protection laws and regulations in the PRC, users are required to submit their identification number to the Anti-addiction and Real Name Authentication System for Online Games operated by the relevant government authorities in the PRC (the “**Anti-addiction and Real Name Authentication System**”) which would automatically verify the users’ identity and decipher the users’ age based on the compilation of the identification number (the “**Real-name Registration**”). Our Group has integrated our in-game system with the Anti-addiction and Real Name Authentication System in order to complete the Real-name Registration for users who downloaded and registered for our games, hence we have collected and ascertained the accuracy of the age information directly from such users and are able to implement the relevant anti-addiction control measures including banning the access of underage users and/or users with trial account which fail to provide

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information for real name registration. As such, we believe such requirements would not have a material adverse impact on our operational and financial conditions considering that the majority of the games we marketed and operated are RPG, which according to Frost & Sullivan, are mid-core to hardcore games that mainly attract players aged over 18, which do not fall within the targeted demographics of the Notice, i.e. minors. Having consulted with our PRC Legal Adviser, in the PRC minors refer to persons under the age of 18.

During the Track Record Period, the gross billings contributed by players aged under 18 accounted an insignificant portion of our total gross billings (less than 0.05%). We implemented policies to protect minors according to applicable laws and regulations. As of the Latest Practicable Date, we had ceased allowing access of minors to our game products.

Our Directors believe that we have properly implemented all the minor protection control measures that are legally required and practically available, and based on the industry practice, our PRC Legal Adviser is of the view that up to the Latest Practicable Date, our current minor protection measures were in compliance with the relevant PRC laws and regulations in all material respects. We have adopted and implemented measures to discourage our end-users from spending too much time playing the games we marketed and operated, including displaying messages to such effect every time when the player start the game.

Cybersecurity Review

On November 2, 2022, our PRC Legal Advisers conducted a verbal consultation with the China Cybersecurity Review Technology and Certification Center (“CCRC”), the authority responsible for receiving application materials, conducting formal reviews of such materials, and organizing specific reviews under the guidance of the CAC, through CCRC’s official enquiry line (010-82261114) published on the official website of CCRC. Pursuant to the verbal consultation, the proposed [REDACTED] is not deemed as [REDACTED] abroad and regarding the proposed [REDACTED], we are not required to apply for cybersecurity review.

To the best knowledge of our Directors and based on the reviews conducted by our legal and technical department, our Directors confirms that we only received certain enquiries, announcement or notification regarding cybersecurity, collection of personal information or classification filing of value-added telecommunication business licenses from local authorities and we have not been involved in any investigations or cybersecurity review made by the Cyberspace Administration of China (the “CAC”) and we have not received any penalties or sanctions related to cybersecurity or personal information from government authorities. Having attended the verbal consultation with CCRC, discussed with the Joint Sponsors’ PRC legal advisers and reviewed the results of the reviews conducted by the legal and technical department of our Group, the Joint Sponsors are not aware of the material matter that would cause them to have reasonable doubts on the aforesaid confirmation from our Directors on the compliance status. To the best knowledge of the Company and based on the reviews conducted by the our legal and technical department and the advice of our PRC Legal advisers, we have not been identified as a “critical information infrastructure operator” by any governmental authorities. We

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will continue to closely monitor and assess the latest development and requirements of new regulations and timely implement necessary measures going forward.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognize that effective risk management and internal control are critical to ensure successful business operation. As such, we have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information systems, internal control, human resources and regulatory compliance.

Financial reporting risk management

We have implemented a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance department and staff management policies. We have various procedures in place to implement accounting policies and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Investment policies and risk management

We have established a set of investment policies and internal control measures to achieve reasonable returns on our idle cash while mitigating our exposure to investment risks. Our purchase plan for financial products is prepared by our finance department based on our capital conditions and approved by our director of finance and the vice general manager.

We believe that investment in low-risk financial products helps us make better use of our cash, expand our source of income while ensuring sufficient cash flow for business operations or capital expenditures. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of financial products while mitigating our exposure to investment risks. These policies and measures primarily include:

- Our finance department is responsible for selecting and monitoring the performance of financial products. We generally designate qualified personnel in our finance department to work on the investment of financial products. The investment decisions of our finance department are subject to the approval of our senior management team. In general, we only allow making investments to principal-guaranteed structured deposits or other wealth management products with low investment risk;

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- Our Board is responsible for overseeing all the investment decisions and evaluating the reasons for the investment and will conduct periodic review on the liquidity and interest income of our investments;
- We make investment decisions based on our estimated capital requirements in the near future and our annual financial forecast, taking into account the term, expected returns and risks of the financial products; and
- We periodically assess the liquidity, capital structure and investments position of our Group and make capital expenditure arrangement and cash flow forecast. We also regularly analyze the difference between our actual cash outflow and our cash flow forecast or our budget and make investment decisions based on such assessment and analysis results accordingly.

Information system risk management

Sufficient maintenance, storage and protection of our important data such as business and financial data and other related information is critical to our success. We have implemented relevant internal procedures and controls to ensure that our data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

We have established an information system security management framework, including relevant internal control and risk management mechanisms to manage network security, data security, anti-virus measures, approval procedure for system changes, user management, system monitoring, incident management and business continuity assurance system. We have also released clear standards and requirements for data backup and archive, and put in place a procedure of periodical data validity testing.

We provide information security training to our employees and conduct ongoing training and discuss any issues or necessary updates from time to time. We also have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis.

Our IT team is collectively responsible for our IT systems and infrastructure. Among other things, these include ensuring that the usage, maintenance and protection of user data are in compliance with our internal rules and the applicable laws and regulations.

Internal control risk management

We have designed and adopted internal control mechanisms and strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We have established an internal control team which works under the supervision of our directors and senior management members to design and improve internal control mechanisms and works

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closely with our business units to (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our Company.

We have also designed our internal and external communication policies, which provide information categorization rules, proper communication channels, confidential information management procedures, regulatory filing and public communication procedures.

In accordance with our procedures, our relevant departments examine the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by counterparties to perform their obligations under our business contracts and all necessary underlying due diligence materials, before we enter into any contract or business arrangements. We also have detailed internal procedures in place to ensure that our relevant departments review the products we market and operate and the relevant services we provided, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our internal control departments are responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Intellectual property infringement risk management

We have formulated policies to regulate the management of intellectual property rights such as computer software copyrights and trademarks. The in-house legal department and the administration department are jointly responsible for intellectual property-related management and compliance. We have adopted the following internal control measures over intellectual property infringement risks:

- We have expanded our legal department to better monitor our intellectual property infringement risks. Before we enter into an IP licensing agreement, our legal department conducts independent background checks on the identity of the legal owner of the IP. For games developed based on IPs licensed by game developers, our legal department also requires the game developer to provide us with a power of attorney issued by the IP owner.
- Our legal department requires the game developer to provide its Computer Software Copyright Registration Certificate (軟件著作權登記證書) before we enter into any collaboration agreement, which also contains undertakings by the game developer to be the rightful owner of the game copyright.
- Our legal department maintains a register which records details of our licensed IPs and games including their copyright registration numbers, amongst others.

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Human resources risk management

We provide regular and specialized training tailored to (i) the needs of our employees in different departments, and (ii) our anti-bribery and anti-corruption policy. We have a training department which regularly organizes internal training sessions conducted by senior instructors or outside consultants on topics of interest that employees can vote on. The training center schedules regular online and classroom training, reviews the content of the training, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these training sessions, we ensure that our staff’s skill sets and knowledge level of our anti-bribery and anti-corruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of exploring business.

We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

Regulatory compliance and legal risk management — anti-bribery and anti-corruption policies

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-corruption, anti-bribery and conflict of interest matters. First, as part of our risk management and internal control measures, we have adopted a series of internal regulations against corrupt, bribery and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. We have anti-corruption and rewards in return for valuable information. Fourth, our internal control department carefully evaluates risk events of potential corruption and bribery and conducts investigations when necessary. Fifth, we have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. Sixth, our internal control department conducts internal control inspections regularly. Employees are required to acknowledge and accept our internal code of business conduct and ethics that lists in detail relevant policies and regulations, including but not limited to clear definitions of bribery, corruption and interested parties. We impose on directors, senior management and employees penalties, and require compensation for any losses incurred as a result of any activities concerning bribery and corruption.

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We continually improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We also undertake compliance management over various aspects of our operations and employee activities, and have established an accountability system in respect of employees’ violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Board oversight

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have established an audit committee to review and supervise our financial reporting process and internal control system and monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, namely Ms. ZHENG Yi, Ms. SONG Siyun and Mr. QIN Yongde, whom are all independent non-executive directors. Ms. ZHENG Yi is the chairlady of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

We have also established an internal audit department which is responsible for reviewing the effectiveness of risk management policies and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the Board if necessary.

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AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received during the Track Record Period.

<u>Year</u>	<u>Award or recognition</u>	<u>Issuing authority</u>
2022	Communist of Guangxin Youth May 4th Medal Collective (廣信青年五四獎章集體)	Youth League Shangrao Guangxin District Committee (共青團上饒市廣信區委)
2022	The Most Network Positive Energy Public Welfare Award (最具清朗網絡正能量公益獎)	Guangzhou Municipal Party Committee Internet Information Office, Guangzhou Internet Industry Party Committee (廣州市委網信辦、廣州市互聯網行業黨委)
2021	Top 500 Asia Brand (亞洲品牌500 強)	Asia brand evaluation expert committee (亞洲品牌盛典組委會)
2020	National Charity Enterprise (全國慈善會愛心企業)	China Charity Federation (中華慈善總會)
2020	2020 Innovative Intelligent Marketing Award (2020 年創新智能營銷獎)	Tencent Advertisement (騰訊廣告)
2020	Best Branding Marketing Case for Games of the Year (年度最佳遊戲品牌營銷案例)	OceanEngine of ByteDance (字節跳動巨量引擎)
2019	Effect Marketing Diamond Cube Award, Charming Game Platform of the Year (效果營銷類鑽石魔方獎、年度魅力游戲平臺)	Alibaba (阿里巴巴)

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OVERVIEW

Foreign investment activities in the PRC are mainly governed by (i) the Encouraged Industry Catalog for Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》), which was jointly promulgated by the MOFCOM and the NDRC on October 26, 2022 and took effect from January 1, 2023 (the “**Catalog**”); and (ii) the Special Administrative Measures on Access of Foreign Investment (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), which was jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and took effect from January 1, 2022 (the “**Negative List**”). The Negative List stipulates industries in which foreign investment is restricted or prohibited.

Since our establishment and up to the Latest Practicable Date, we generated our revenue primarily from online game operation (the “**Relevant Business**”). For further details, see “Business — Our Online Game Publishing Business and Other Marketing Business”.

As advised by our PRC Legal Adviser, the Relevant Business falls within the scope of:

- (i) “*internet cultural business*” under the Provisional Regulations for the Administration of Internet Culture (《互聯網文化管理暫行規定》) (“**Internet Culture Measures**”). Pursuant to the Internet Culture Measures, the Internet cultural business refers to the activities of providing Internet culture products and services, including producing, reproducing, importing, distributing and broadcasting Internet culture products and other activities. According to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in internet cultural business; and
- (ii) “*value-added telecommunication services (“VATS”) business*” under the Catalog of Telecommunications Business (《電信業務分類目錄》) and the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which is classified as a foreign investment restricted business according to the Negative List, and companies providing VATS shall not be held by foreign investors as to more than 50% of their equity interests. Companies providing Relevant Business shall obtain the “Value-added Telecommunications Operation License (within the business scope of internet content provider)” (the “**ICP License**”).

We believe that our internet cultural business and VATS business are fundamental components and inseparable parts of the Relevant Business because (i) as advised by our PRC Legal Adviser, operation of games through internet, according to the Internet Culture Measures, falls within the scope of “internet cultural activity” where foreign ownership is prohibited pursuant to the Negative List; and (ii) the VATS provided by the Group, along with the internet cultural business, which involves the operation of online games, forms an integral part of our game services. In addition, pursuant to applicable PRC laws and regulations, domestic telecommunication enterprises are prohibited from leasing, transferring or selling their licenses to foreign investors in any form and based on the above analysis, each PRC Operating Entity must hold an ICP License to operate its Relevant Business. Accordingly, for the purpose of operating the online games in compliance with applicable PRC laws and regulations, it is

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impractical for the Company to separate internet cultural business and VATS business from its game operation business and to hold the ICP License in a separate entity from our PRC Operating Entities.

On March 29, 2022, the State Council promulgated the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) (the “**Decision**”), which came into effect on May 1, 2022. According to the Decision, the requirement of demonstrating a good track record and experience in operating VATS business of the primary foreign investor in a foreign invested VATS enterprise was removed. However, as advised by our PRC Legal Adviser, as the Decision only became effective on May 1, 2022, and there was no detailed guidance or implementation measures, there remain uncertainties with respect to the impact of the Decision on us.

The Company’s PRC Legal Adviser conducted verbal consultation with the MIIT through the MIIT’s official enquiry line (12381) on March 3, 2023. The officers of MIIT who accepted such consultation confirmed that the PRC Operating Entities are not likely to obtain ICP License in the format of sino-foreign equity joint venture, in which the Company, as a foreign investor, holds any equity interest because the Relevant Business falls within “prohibited business” under the Negative List. The Company’s PRC Legal Adviser is of the view that MIIT is the competent authority to review the application of the ICP License of foreign invested enterprises, the official enquiry line (12381) is an appropriate channel to seek consultation with MIIT as a public service telephone platform published on the official website of MIIT, which is mainly responsible for the disclosure of government information, accepting and handling the public’s inquiries, suggestions and complaints on the relevant work of MIIT, and the relevant officers accepting such verbal consultation through official enquiry line are authorized to provide such consulting responses.

For further details of the limitations on foreign ownership in PRC companies conducting businesses involving internet cultural business and VATS business under the applicable PRC laws and regulations, see “Regulatory Overview.”

Given that our PRC Operating Entities operate the foreign-prohibited business and foreign-restricted business, our Company would not be currently allowed to hold any equity interests in the PRC Operating Entities. Based on this and the advice of our PRC Legal Adviser on the PRC foreign investment restriction policies, we are of the view that the Contractual Arrangements and our corporate structure as a whole are narrowly tailored. We will closely monitor any future development relating to the Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required in the future. We will unwind and terminate the Contractual Arrangements wholly or partly once our businesses are no longer prohibited or restricted from foreign investment and to the extent permissible under PRC Laws.

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Since the Relevant Business involves the operation of online games, which falls within the scope of internet cultural business and VATS business, the Relevant Business is subject to foreign

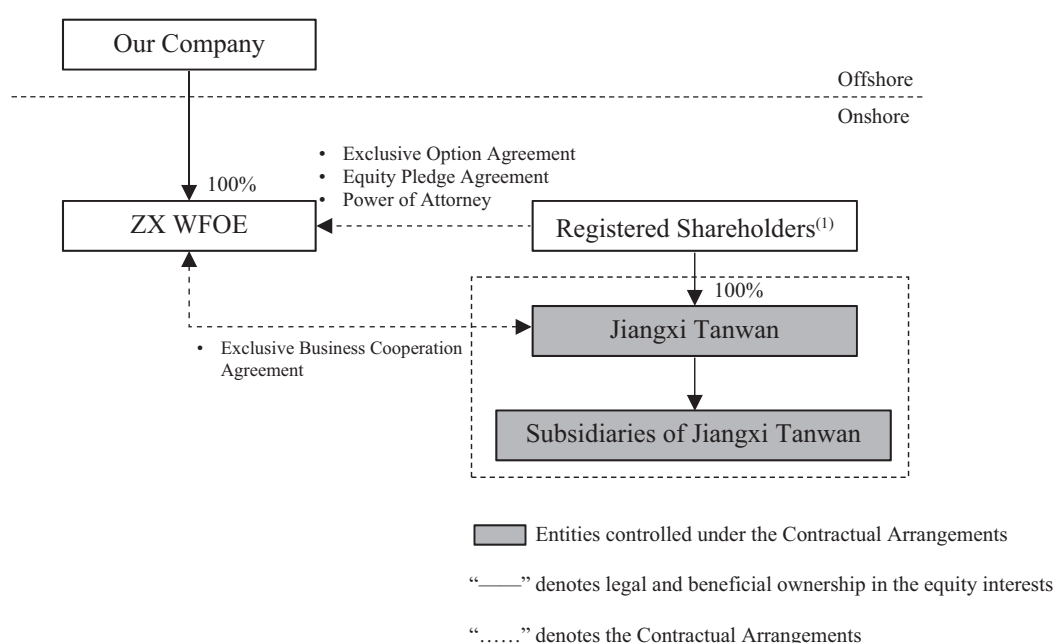
CONTRACTUAL ARRANGEMENTS

ownership restrictions. Hence, it is not viable for our Company to conduct the Relevant Business directly through equity ownership. In line with common practice and in order to conduct the Relevant Business in the PRC, our Company, through ZX WFOE, entered into the Contractual Arrangements with Jiangxi Tanwan and its Registered Shareholders, pursuant to which our Company has acquired effective control over the Relevant Business through the PRC Operating Entities, and become entitled to all the economic benefits derived from the PRC Operating Entities. Accordingly, the results of operations and assets and liabilities of the PRC Operating Entities can be consolidated into our results of operations and assets and liabilities as if they are the subsidiaries of our Company.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were negotiated on an arm’s length basis and entered into between ZX WFOE, Jiangxi Tanwan and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreements with ZX WFOE, which is our Company’s subsidiary incorporated in the PRC, our PRC Operating Entities will enjoy better economic and technical support from ZX WFOE, as well as a better market reputation after the [REDACTED]; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

For the three years ended December 31, 2022 and the four months ended April 30, 2023, revenue generated from our PRC Operating Entities accounted for approximately 100.0%, 99.5%, 95.8% and 96.4% of our total revenue, respectively, according to our unaudited management accounts.

The following simplified diagram illustrates the Contractual Arrangements:



Note:

- (1) For further details of the shareholding of Jiangxi Tanwan, see “History, Reorganization and Corporate Structure — Major Corporate Development and Shareholding Changes — Our Major PRC Operating Entities — (i) Jiangxi Tanwan”.

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Exclusive Business Cooperation Agreement

On November 22, 2022, Jiangxi Tanwan entered into an exclusive business cooperation agreement with ZX WFOE which was amended and restated by an exclusive business cooperation agreement dated April 18, 2023 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which ZX WFOE has agreed to be engaged as the exclusive provider to Jiangxi Tanwan of business support, technical and consulting services, including technology services, network support and maintenance, research and development, business and management consultancy, intellectual property licensing, equipment leasing, market research and other services, in exchange for service fees which shall consist of 100% of the total consolidated profits of Jiangxi Tanwan after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. ZX WFOE has the right to at any time adjust the service fee to be charged and its payment schedule according to the quantity and content of the services it provides to Jiangxi Tanwan. When assessing the commercial value of services provided by ZX WFOE, Jiangxi Tanwan will take into account factors such as (i) the complexity and difficulty of the services involved; (ii) the time taken for the services; (iii) the scope of the services and their corresponding commercial value; (iv) comparable service fees charged to third party customers of ZX WFOE and the market reference price for services of similar kinds; and (v) the operational needs of Jiangxi Tanwan.

Pursuant to the Exclusive Business Cooperation Agreement, without the prior written consent from ZX WFOE, Jiangxi Tanwan shall not, during the term of the Exclusive Business Cooperation Agreement, accept the same or any similar services provided by any third party which are covered by the Exclusive Business Cooperation Agreement nor shall Jiangxi Tanwan establish cooperation relationships similar to those established by the Exclusive Business Cooperation Agreement with any third party.

Pursuant to the Exclusive Business Cooperation Agreement, ZX WFOE has the exclusive and proprietary rights to all intellectual properties developed by Jiangxi Tanwan, given ZX WFOE provides consulting services to Jiangxi Tanwan. Jiangxi Tanwan is required under the Contractual Arrangements to obtain ZX WFOE’s prior written consent before it transfers, assigns or disposes of any of its intellectual properties to any third party.

The Exclusive Business Cooperation Agreement shall remain effective unless (i) when Jiangxi Tanwan ceases to operate any business, becomes insolvency, bankruptcy or subject to liquidation or dissolution procedures; (ii) the entire equity interests held by the Registered Shareholders in Jiangxi Tanwan or the entire assets held by Jiangxi Tanwan have been transferred to ZX WFOE or its designee; (iii) terminated in writing by ZX WFOE thirty (30) days in advance; or (iv) when it is legally permissible for ZX WFOE to hold equity interests directly or indirectly in Jiangxi Tanwan and ZX WFOE or its appointee(s) is registered to be the shareholder of Jiangxi Tanwan. Jiangxi Tanwan is not contractually entitled to unilaterally terminate the Exclusive Cooperation Agreement with ZX WFOE.

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Exclusive Option Agreement

On November 22, 2022, ZX WFOE, Jiangxi Tanwan and the Registered Shareholders entered into an exclusive option agreement which was amended and restated by an exclusive option agreement dated April 18, 2023 (the “**Exclusive Option Agreement**”), pursuant to which ZX WFOE (or its designee) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Jiangxi Tanwan, and an irrevocable and exclusive right to purchase from Jiangxi Tanwan all or any part of its assets at a minimal price required by the relevant government authorities or PRC laws. To the extent permitted by applicable PRC laws and regulations, the Registered Shareholders and/or Jiangxi Tanwan shall return the amount of purchase price they have received in full to ZX WFOE. At ZX WFOE’s request, the Registered Shareholders and/or Jiangxi Tanwan will promptly and unconditionally transfer their respective equity interests and/or assets to ZX WFOE (or its designee) after ZX WFOE exercises its option.

During the terms of the Exclusive Option Agreement, none of the assets of Jiangxi Tanwan shall be sold, transferred, pledged or otherwise disposed of without the prior written consent of ZX WFOE. In addition, Jiangxi Tanwan is not allowed to make any distributions to the Registered Shareholders without the prior written consent of ZX WFOE. In the event that the Registered Shareholders receive any profit distribution or dividend from Jiangxi Tanwan, the Registered Shareholders must immediately pay or transfer such amount to ZX WFOE (or its designee). If ZX WFOE exercises this option, all or any part of the equity interests of Jiangxi Tanwan acquired would be transferred to ZX WFOE and the benefits of equity ownership would flow to our Company and our Shareholders.

The Exclusive Option Agreement will not be terminated until the purchased equity interests and/or the acquired assets have been transferred to ZX WFOE (or its designee) in accordance with the Exclusive Option Agreement. However, ZX WFOE has the right to unilaterally and unconditionally terminate the Exclusive Option Agreement at any time in written notice. Subject to applicable PRC laws, Jiangxi Tanwan and the Registered Shareholders do not have the right to unilaterally terminate this agreement.

Equity Pledge Agreement

On November 22, 2022, Jiangxi Tanwan, the Registered Shareholders and ZX WFOE entered into an equity pledge agreement which was amended and restated by an equity pledge agreement dated April 18, 2023 (the “**Equity Pledge Agreement**”), pursuant to which the Registered Shareholders agreed to pledge all of their equity interests (including the dividends arising from such equity interests) in Jiangxi Tanwan to ZX WFOE as collateral security for all of its payments due to ZX WFOE and to secure performance of all obligations of Jiangxi Tanwan and the Registered Shareholders under the Contractual Arrangements. Should an event of default (as provided in the Equity Pledge Agreement) occur, unless it is successfully resolved to ZX WFOE’s satisfaction within thirty (30) days upon being notified by ZX WFOE, ZX WFOE may demand that the Registered Shareholders and/or Jiangxi Tanwan immediately pay all outstanding payments due under the Contractual Arrangements, repay any loans and make all other payments due to ZX WFOE, and/or dispose of the pledged equity interests and use the proceeds to repay any outstanding payments due to ZX WFOE.

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The Equity Pledge Agreement will not terminate until (i) all obligations of Jiangxi Tanwan and the Registered Shareholders under the Contractual Arrangements are satisfied in full; (ii) ZX WFOE (or its designee) exercises its exclusive options to purchase the entire equity interests of the Registered Shareholders and/or the entire assets of Jiangxi Tanwan pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws and ZX WFOE (or its designee) may conduct the business of Jiangxi Tanwan; (iii) ZX WFOE exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws and regulations.

The pledges under the Equity Pledge Agreement will be duly registered with the relevant PRC authority pursuant to PRC laws and regulations prior to the [REDACTED].

Power of Attorney

On November 22, 2022, an irrevocable power of attorney was entered into by and among the Registered Shareholders, ZX WFOE and Jiangxi Tanwan which was amended and restated by a power of attorney dated April 18, 2023 (the “**Power of Attorney**”), pursuant to which the Registered Shareholders appointed ZX WFOE, or any director of our Company or other person designated by it (excluding any person who may give rise to conflicts of interest), as its exclusive agent and attorney to act on its behalf to exercise all of its rights as registered shareholders of Jiangxi Tanwan. These rights include (i) the right to propose, convene and attend shareholders’ meetings; (ii) the right to sell, transfer, pledge or dispose of equity interests; (iii) the right to exercise shareholders’ voting rights; and (iv) the right to appoint the directors and other senior management members of Jiangxi Tanwan. The authorized person is entitled to sign minutes, file documents with the relevant authorities and exercise voting rights on the winding up of Jiangxi Tanwan on behalf of the Registered Shareholders. The Registered Shareholders have undertaken to transfer all assets obtained after the winding up of Jiangxi Tanwan to ZX WFOE at nil consideration or the lowest price allowed under the then applicable PRC laws and regulations. As a result of the Power of Attorney, our Company, through ZX WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of Jiangxi Tanwan.

The Power of Attorney also provides that, in order to avoid potential conflicts of interest, where the officers or directors of the Registered Shareholders are officers or directors of our Company, the power of attorney is granted to officers or directors of our Company other than those who are officers or directors of the Registered Shareholders. The Power of Attorney shall automatically terminate when (i) Jiangxi Tanwan ceases to operate any business, becomes insolvency, bankruptcy or subject to liquidation or dissolution procedures; (ii) when it is legally permissible for ZX WFOE to hold equity interests directly or indirectly in Jiangxi Tanwan and ZX WFOE or its appointee(s) is registered to be the shareholder of Jiangxi Tanwan; (iii) the entire equity interests held by the Registered Shareholders in Jiangxi Tanwan or the entire assets held by Jiangxi Tanwan have been transferred to ZX WFOE or its appointee(s); (iv) the shareholder structure of the Registered Shareholders changes and the Power of Attorney is replaced by a new power of attorney; or (v) terminated in writing by ZX WFOE thirty (30) days in advance.

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Spouse undertakings

On November 22, 2022, the spouse of each of the individual Registered Shareholders (where applicable) executed an irrevocable undertaking which was amended and restated by an undertaking dated April 18, 2023, pursuant to which he/she expressly acknowledged and undertook that, among others, (i) he/she will not, on the basis of joint marital property rights, make any hindrance to any disposition the respective Registered Shareholder make under the Contractual Arrangements and make any claim against such disposition (including, without limitation, bringing an action or arbitration in any court or arbitral tribunal of competent jurisdiction under any applicable law); and (ii) he/she will not take any measures that are in conflict with the Contractual Arrangements.

The spouse of each of the individual Registered Shareholders (where applicable) further undertook that should he/she by any reason hold any equity interests in Jiangxi Tanwan, they will be bound by, as amended from time to time, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Power of Attorney. He/she undertook to comply with the obligations of Jiangxi Tanwan’s shareholders as set out in the aforementioned agreements, and for this purpose, to execute agreements on substantially similar terms as the aforementioned agreements upon ZX WFOE’s request.

Dispute resolution

Each of the agreements under the Contractual Arrangements stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within thirty (30) days after any party’s request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the Guangzhou Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Guangzhou, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the agreements under Contractual Arrangements also provides that the arbitral tribunal may award remedies over the equity interests, property interests or other assets of Jiangxi Tanwan, injunctive relief (e.g. to limit the conduct of business or to compel the transfer of assets) or order the winding up of Jiangxi Tanwan; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdiction where the principal assets of Jiangxi Tanwan are located also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the equity interests, property interests or other assets of Jiangxi Tanwan.

However, our PRC Legal Adviser has advised that the tribunal normally would not grant such kind of injunctive relief or winding up order of Jiangxi Tanwan under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Jiangxi Tanwan pursuant to the current PRC laws.

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Succession

Pursuant to the Contractual Arrangements, any successor of the Registered Shareholders shall assume any and all rights and obligations of the Registered Shareholders under the Contractual Arrangements as a result of its liquidation, bankruptcy or under other circumstances which would affect its exercise of equity interests in Jiangxi Tanwan, as if the successor was a signing party to such Contractual Arrangements.

On the basis sets forth below, our PRC Legal Adviser is of the view that, subject to applicable laws and regulations in the PRC, the Contractual Arrangements provide protection to the Group even in the event of liquidation or bankruptcy of the Registered Shareholders, and liquidation or bankruptcy of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and ZX WFOE can enforce its rights under the Contractual Arrangements against the successors of the Registered Shareholders:

- (i) under the Civil Code of the PRC, where the Registered Shareholders are involved in a merger or division subsequent to the entering into the Contractual Arrangements, the legal person or other entity created by the merger or division shall enjoy all rights and perform all obligations under the Contractual Arrangements in principle;
- (ii) according to the Exclusive Option Agreement, the Registered Shareholders have undertaken, in any event which causes the inability of the Registered Shareholders to perform their obligations, to transfer all of the equity interests in Jiangxi Tanwan held by them to an individual or legal entity designated by ZX WFOE under applicable PRC law, which shall, as required by ZX WFOE, continuously obey and perform the Contractual Arrangements;
- (iii) the Contractual Arrangements have also stipulated that (a) the Registered Shareholders shall not dispose of their equity interests in Jiangxi Tanwan without the prior written consent of ZX WFOE; (b) the Registered Shareholders shall not transfer any of their rights or obligations under the Contractual Arrangements for any reason without the written consents of other parties to the Contractual Arrangements, and the Registered Shareholders shall ensure that their successors continue to abide by and perform their rights and obligations under the Contractual Arrangements; and
- (iv) the spouses of each of the individual Registered Shareholders (where applicable) have executed an irrevocable undertaking, details of which have been set out in “— Our Contractual Arrangements — Spouse Undertakings” in this section.

Arrangements to address potential conflicts of interests

The Registered Shareholders have undertaken that during the period that the Contractual Arrangements remain effective:

- (i) unless otherwise agreed by ZX WFOE in writing, the Registered Shareholders would not, directly or indirectly participate, or be interested, or engage in, any business which is or

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may potentially be in competition with the Relevant Business of the PRC Operating Entities where ZX WFOE has the sole absolute discretion to determine whether such conflict arises; and

- (ii) any of their actions or omissions would not lead to any conflict of interest between it and ZX WFOE (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where ZX WFOE has the sole absolute discretion to determine whether such conflict arises), they agree to take any appropriate actions upon the consents of ZX WFOE or its designee to eliminate such conflicts, failing which ZX WFOE has the right to exercise the option under the Exclusive Option Agreement.

Loss sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or ZX WFOE, is obligated to share the losses of Jiangxi Tanwan, but if Jiangxi Tanwan suffers any losses or material difficulties of business, ZX WFOE may provide financial support as permitted under PRC laws at its discretion to Jiangxi Tanwan under the terms of the Exclusive Business Cooperation Agreement. Further, Jiangxi Tanwan is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company or ZX WFOE is not expressly required to share the losses of Jiangxi Tanwan or provide financial support to Jiangxi Tanwan. Despite the foregoing, given that the Group conducts the Relevant Business in the PRC through the PRC Operating Entities, which hold the requisite PRC licenses and approvals, and that the PRC Operating Entities’ financial condition and results of operations are consolidated into our financial condition and results of operations under the applicable accounting principles, our Company’s business, financial condition and results of operations would be adversely affected if the PRC Operating Entities suffer losses.

However, as provided in the Exclusive Option Agreement, none of the assets of Jiangxi Tanwan shall be sold, transferred, pledged or otherwise disposed of without the prior written consent of ZX WFOE. In addition, Jiangxi Tanwan is not allowed to make any distributions to the Registered Shareholders without the prior written consent of ZX WFOE. In the event that the Registered Shareholders receive any profit distribution or dividend from Jiangxi Tanwan, the Registered Shareholders must immediately pay or transfer such amount to ZX WFOE (or its designee). Therefore, the potential adverse effect on ZX WFOE and our Company in the event of any loss suffered from Jiangxi Tanwan is limited by the relevant restrictive provisions in the Exclusive Option Agreement.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the laws of PRC, Jiangxi Tanwan shall sell all of its assets and any residual interest through a non-reciprocal transfer to the extent permitted by the laws of PRC to ZX WFOE or another qualifying entity designated by ZX WFOE, at the lowest selling price permitted by applicable laws of the PRC. Any obligation for ZX WFOE to pay Jiangxi Tanwan as a result of such transaction shall be waived by Jiangxi Tanwan or any proceeds from such transaction shall

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be paid to ZX WFOE or the qualifying entity designated by ZX WFOE in partial satisfaction of the service fees under the Exclusive Business Cooperation Agreement, as applicable under the then effective laws of the PRC.

Termination

Pursuant to the Contractual Arrangements, ZX WFOE has the unilateral right to terminate the agreements under the Contractual Arrangements at any time by providing written notice to the Registered Shareholders and/or Jiangxi Tanwan. The Contractual Arrangements shall terminate once ZX WFOE holds the entire equity interests in Jiangxi Tanwan and/or the entire assets of Jiangxi Tanwan in the event that ZX WFOE or its subsidiaries are allowed to conduct the Relevant Business directly that Jiangxi Tanwan operates under PRC laws.

Insurance

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements. For further details, see “Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our business risks”.

Our confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating the Relevant Business through the PRC Operating Entities under the Contractual Arrangements.

Circumstances under which we will adjust or unwind the Contractual Arrangements

Our Group will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations.

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INVESTEE ENTITIES HELD BY OUR PRC OPERATING ENTITIES

Apart from the Restricted Business, our PRC Operating Entities also hold minority investments in certain non-consolidated investee companies in the PRC (the “**Investee Entities**”), each of which (i) intends to engage in business which is subject to foreign investment prohibition under the Negative List; or (ii) is engaged in business subject to foreign investment restriction under the Negative List, and we failed to obtain consent from other equity owners for transferring our interests from the relevant PRC Operating Entities to ZX WFOE, our indirect wholly-owned subsidiary. Details of the Investee Entities are summarized in the below table:

<u>Name of Investee Entity</u>	<u>% of equity interests</u>	<u>Principal business activities</u>
1. Zhejiang Xuwan Technology Co., Ltd. (“ Zhejiang Xuwan ”)	40.0% directly by Poyang Tanwan	Technical services and development; plans to engage in online game operation in the near future
2. Fuzhou Zizai Entertainment Network Technology Co., Ltd. (“ Fuzhou Zizai ”)	28.0% directly by Jiangxi Tanwan	Animation game development; plans to engage in online game operation in the near future
3. Guangzhou Zeda New Cultural and Creative Industry Development Co., Ltd. (“ Guangzhou Zeda ”)	26.0% directly by Jiangxi Tanwan	Real estate development, management and interactive entertainment product marketing business; plans to engage in online game operation in the near future
4. Guangzhou Ziyun Cloud Computing Co., Ltd. (“ Guangzhou Ziyun ”)	20.0% directly by Jiangxi Tanwan	Cloud storage business

Zhejiang Xuwan

As advised by our PRC Legal Adviser, the online game operation business which Zhejiang Xuwan intends to engage in falls within the scope of “internet cultural business”, which is foreign investment prohibited according to the Negative List. Accordingly, Zhejiang Xuwan should be ultimately controlled by PRC nationals and/or PRC corporation entities. Hence, It is not viable for Poyang Tanwan to transfer its 40.0% equity interests in Zhejiang Xuwan to ZX WFOE under the applicable PRC laws and regulations.

Fuzhou Zizai

As advised by our PRC Legal Adviser, the online game operation business which Fuzhou Zizai intends to engage in falls within the scope of “internet cultural business”, which is foreign investment prohibited according to the Negative List. Accordingly, Fuzhou Zizai should be ultimately controlled by PRC nationals and/or PRC corporation entities. Hence, It is not viable

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for Jiangxi Tanwan to transfer its 28.0% equity interests in Fuzhou Zizai to ZX WFOE under the applicable PRC laws and regulations.

Guangzhou Zeda

As advised by our PRC Legal Adviser, the online game operation business of Guangzhou Zeda intends to engage in falls within the scope of “internet cultural business”, which is foreign investment prohibited according to the Negative List. Accordingly, Guangzhou Zeda should be ultimately controlled by PRC nationals and/or PRC corporation entities. Hence, It is not viable for Jiangxi Tanwan to transfer its 26.0% equity interests in Guangzhou Zeda to ZX WFOE under the applicable PRC laws and regulations.

Guangzhou Ziyun

As advised by our PRC Legal Adviser, the cloud storage business of Guangzhou Ziyun falls within the scope of “providing VATS business”, which is foreign investment restricted according to the Negative List, and Guangzhou Ziyun is required to obtain an IDC (internet data center) license, one category under the Value-added Telecommunication Operation License. Guangzhou Ziyun holds an IDC license as of the Latest Practicable Date. Pursuant to the PRC Companies Law and the articles of association of Guangzhou Ziyun, Jiangxi Tanwan requires the consent and/or assistance from other equity owners of Guangzhou Ziyun for the transfer of its 20.0% equity interests to ZX WFOE. The other equity owners of Guangzhou Ziyun have rejected Jiangxi Tanwan’s proposal to transfer its 20.0% equity interests to ZX WFOE, given the uncertainties in renewing the IDC License for Guangzhou Ziyun as a result of such transfer.

Immateriality of the Investee Entities to our financial results and operating status

The Investee Entities are immaterial to our financial results and operating status:

- (i) we invested in the Investee Entities as passive minority investors and are not involved in the daily operations and management of the Investee Entities;
- (ii) our Group’s interests in the Investee Entities are accounted for using equity method accounting. The financial results of the Investee Entities are not consolidated into our Group’s consolidated financial statements; and
- (iii) the investment amounts in the Investee Entities accounted for approximately 2.6% of our Group’s total assets as of April 30, 2023. For the year ended December 31, 2022, we recorded a share of loss amounting to RMB12.5 million. The share of loss and fair value loss are either non-operating in nature or do not generate any cash outflows.

Reasons of our investments in the Investee Entities

Our minority investments in the Investee Entities are our long-term financial investments. We do not currently intend to increase our investments in the Investee Entities. Our Company

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agrees that, in the event that our Company proposes to acquire any business or equity interests in another company involving the Contractual Arrangements, we will only do so in compliance with the applicable rules and guidance letters of the Stock Exchange.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

“Narrowly-tailored” requirements for the Contractual Arrangements

By entering into the Contractual Arrangements, the Relevant Business subject to foreign investment restriction and/or prohibition according to the Negative List is only carried out by our PRC Operating Entities while the other business activities of the Group which are not subject to foreign investment restriction and/or prohibition are carried out by ZX WFOE and its subsidiaries. Each of Shanghai Tanwan and Guangzhou Huanle had no substantial business as of the Latest Practicable Date, but will commence its online game operation business in the near future.

The Contractual Arrangements are used to enable our Group to conduct the Relevant Business that is subject to foreign investment restrictions and/or prohibitions in the PRC. Based on the above, we are of the view that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with the relevant PRC laws and regulations as of the Latest Practicable Date.

GAPP Notice

On September 28, 2009, the GAPP, the National Copyright Administration and the Office of the National Working Group for Crackdown on Pornographic and Illegal Publications promulgated “The Notice Regarding the Consistent Implementation of the Regulation on Three Provisions” of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (《關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋，進一步加強網絡游戲前置審批和進口網絡游戲審批管理的通知》) (the “GAPP Notice”). The GAPP Notice provides, among other things, that foreign investors are not permitted to invest or engage in online game operations in the PRC through sole proprietorship, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual agreements or providing technical support. Serious violation of the GAPP Notice will result in suspension or revocation of relevant licenses and registrations.

Notwithstanding the foregoing, the respective PRC Legal Advisers of the Company and the Joint Sponsors conducted interviews or verbal consultations with Hainan Provincial Press and Publication Bureau, Guangdong Press and Publication Bureau, Jiangxi Provincial Press and Publication Bureau and Jiangxi Shangrao Press and Publication Bureau (collectively, the “Relevant Authorities”), on December 7, 2021, May 11, 2022, August 17, 2022 and October 18, 2022, respectively, which provided confirmations that the Contractual Arrangements are not

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subject to any approvals from the Relevant Authorities. The Relevant Authorities did not express any objection to the Contractual Arrangements. Our PRC Legal Adviser is of the view that, (i) the Relevant Authorities are competent government authority for our Company's Relevant Business; and (ii) the relevant departments who gave the aforementioned confirmations in the interviews and/or verbal consultations have the authority to give such confirmations on behalf of the Relevant Authorities.

Legality of the agreements underlying the Contractual Arrangements

Our PRC Legal Adviser is of the opinion that:

- (i) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto;
- (ii) no agreements under the Contractual Arrangements violate any provisions of the articles of association of ZX WFOE or Jiangxi Tanwan;
- (iii) the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that
 - (a) the pledges under the Equity Pledge Agreement are subject to registration requirement with the relevant local administration bureau for SAMR, registration of which will be completed prior to the [REDACTED];
 - (b) the Exclusive Option Agreement is subject to approval and/or registration with local administration bureau for SAMR, the MIIT or its branch, and/or other governmental authorities as applicable upon the exercise by ZX WFOE or its designee of its option rights under the Exclusive Option Agreement to acquire all or part of the equity interests in or assets of Jiangxi Tanwan;
- (iv) the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Jiangxi Tanwan, injunctive relief and/or winding up of Jiangxi Tanwan, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Jiangxi Tanwan in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China; and
- (v) the parties to each of the agreements under the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. None of the agreements under the Contractual Arrangements would fall within the contract void

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circumstances as stipulated in the Civil Code of People’s Republic of China (《中國人民共和國民法典》) (the “**Civil Code**”). Pursuant to Articles 144, 146, 153 and 154 of the Civil Code, a contract is void if the civil juristic act: (i) is performed by a person who has no capacity for performing civil juristic acts; (ii) is performed by a person and another person based on a false expression of intent; (iii) is in violation of the mandatory provisions of laws or administrative regulations, unless such mandatory provisions do not lead to invalidity of such a civil juristic act; (iv) offends the public order or good morals; or (v) is conducted through malicious collusion between a person who performs the act and a counterparty thereof and thus harms the lawful rights and interests of another person.

However, we have been advised by our PRC Legal Adviser that there are uncertainties regarding the interpretation and application of the current and future PRC laws and regulations over the validity of the Contractual Arrangements. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of our PRC Legal Adviser in the future. See “Risk Factors — Risks Relating to Our Contractual Arrangements”.

Based on the above analysis and advice from our PRC Legal Adviser and confirmation from the relevant government authority, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation and compliance of the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update our Shareholders and potential **[REDACTED]**;
- (iv) because the Contractual Arrangements will constitute continuing connected transactions of our Group upon **[REDACTED]**, our Company has applied to the Stock Exchange, and the Stock Exchange [has granted] a waiver, in relation to the Contractual Arrangements, details of which are set out in the section headed “Connected Transactions” in this document. Our Company will comply with the conditions prescribed by the Stock Exchange under the waiver given;

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- (v) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Jiangxi Tanwan, ZX WFOE and the PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements;
- (vi) the company seals, financial seals, contract seals and crucial corporate certificates of the PRC Operating Entities are kept by our Group’s finance department. The Registered Shareholders and employees of our Group, if they wish to use these seals, will have to obtain internal approval from the business, legal and/or finance department(s) (as the case may be) of our Group, as well as approval from relevant department heads and/or the chief executive officer of our Company. The business, legal and/or finance departments constitute our Group’s central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of ZX WFOE or our Company;
- (vii) our independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in our annual report; and
- (vii) to avoid potential conflicts of interest, our Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by ZX WFOE and Jiangxi Tanwan for the purpose of exercising any of the rights originally granted to ZX WFOE and/or such designee under the Contractual Arrangements shall be restricted to a legally-held subsidiary of our Company (and which will be under the management control of our Company) or an authorized director of our Company or a legally-held subsidiary (whom shall owe fiduciary duties to us) and shall exclude any of its associates. Our Board will also ensure that no rights shall be granted to any other third parties outside of our Group which do not owe any fiduciary duties to our Company.

As certain Registered Shareholders are corporate or partnership entities, to ensure that the PRC Operating Entities will comply with the Contractual Arrangements, we have decided to further introduce the following measures:

- (i) the three independent non-executive Directors will continue to play an independent role in our Board by reviewing the effective implementation of the procedures and controls referred to above and compliance of our Contractual Arrangements; and
- (ii) in the event of the occurrence of a conflict of interests (where ZX WFOE has the sole and absolute discretion to determine whether such conflict arises), Jiangxi Tanwan shall take appropriate measures upon the consent of ZX WFOE or its designee to eliminate such conflicts, failing which ZX WFOE may exercise, to the extent permitted under the PRC laws, the option under the Exclusive Option Agreements.

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The PRC Legal Advisors are of the view that effectiveness of the Contractual Arrangements in the Company’s case is the same with those cases where the equity interests of each operating companies are directly held by individual shareholders, considering the following factors:

- (1) all individual limited partners and general partners of each of the four partnership Registered Shareholders of Jiangxi Tanwan, namely Shangrao Hongbang, Shangrao Hechuang, Shangrao Qichuang and Shangrao Hezhong have executed resolutions authorizing each of the four partnership Registered Shareholders to enter into and perform obligations under the Contractual Arrangements. Also, Century Huatong (a listed company on Shenzhen Stock Exchange (Stock Code: 002602)), being the sole shareholder of Shanghai Tianyou, the only corporate Registered Shareholder of Jiangxi Tanwan, has also executed shareholder’s resolutions authorizing Shanghai Tianyou to enter into and perform the obligations under the Contractual Arrangements. These ensured that Registered Shareholders who are limited partnerships or limited liability companies are equally bound by the Contractual Arrangements as individual Registered Shareholders;
- (2) to ensure the effectiveness of the Contractual Arrangements extended to all the PRC Operating Entities, on the one hand, Jiangxi Tanwan, as the holding company and/or controlling shareholder which can exercise voting rights attached to more than 50% equity interests in each of its subsidiaries and is generally able to decide on the appointment of executive directors and/or a majority of directors on the board (where applicable) of each of such subsidiaries, and on the other hand, each of the Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Equity Pledge Agreement, and Power of Attorney provides that, upon request by ZX WFOE, Jiangxi Tanwan is obliged to ensure its subsidiaries perform obligations in accordance with such agreements; and
- (3) the measures adopted by the Group as set out above also allow the Group to ensure the effectiveness of the Contractual Arrangements, notwithstanding certain Registered Shareholders of Jiangxi Tanwan are limited partnerships or limited liability company entities.

Notwithstanding the foregoing, each of the PRC Operating Entities other than Jiangxi Tanwan, being subsidiaries of Jiangxi Tanwan (the “**Remaining PRC Operating Entities**” and each a “**Remaining PRC Operating Entity**”) have executed a confirmation letter in favor of ZX WFOE to agree on the performance of obligations in accordance with Contractual Arrangements in their respective capacity, and when and where necessary, upon request by Jiangxi Tanwan, to enter into contractual arrangements with ZX WFOE to ensure the effectiveness of the Contractual Arrangements and that ZX WFOE is able to control and enjoy all economic benefits from Jiangxi Tanwan. In addition, the relevant board resolutions and shareholder resolutions of each of the Remaining Operating Entities have been adopted to approve the aforementioned confirmations.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to HKFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when

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it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Operating Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over our PRC Operating Entities.

Under the Exclusive Business Cooperation Agreement entered into by and among ZX WFOE, the Registered Shareholders and Jiangxi Tanwan, it was agreed that, in consideration of the services provided by ZX WFOE, Jiangxi Tanwan will pay service fees to ZX WFOE service fees based on the workload and commercial value of services provided by ZX WFOE. ZX WFOE has the right to at any time adjust the service fee to be charged and its payment schedule according to the quantity and content of the services it provides to Jiangxi Tanwan. ZX WFOE may adjust the service fee at its sole discretion and allow Jiangxi Tanwan to retain sufficient working capital to carry out any growth plans. Jiangxi Tanwan shall deliver to ZX WFOE its management accounts and operating statistics upon ZX WFOE’s request accordingly, ZX WFOE has the ability, at its sole discretion, to extract substantially all of the economic benefit of Jiangxi Tanwan through the Exclusive Business Cooperation Agreement. In addition, under the Exclusive Option Agreement among the parties, ZX WFOE has absolute control over the distribution of any dividends, as the prior consent of ZX WFOE is required for dividend distribution, and ZX WFOE can request for immediate distribution of profits to be made. Further, under the Power of Attorney, ZX WFOE assumes all rights as shareholder and exercises control over Jiangxi Tanwan, including the right as set out in paragraph “— Our Contractual Arrangements — Power of Attorney” in this section.

As a result of the Contractual Arrangements, we have obtained control of Jiangxi Tanwan through ZX WFOE and, under our sole discretion, can receive substantially all of the economic interest returns generated by Jiangxi Tanwan and its subsidiaries. Accordingly, Jiangxi Tanwan’s results of operations, assets and liabilities, and cash flows are consolidated into our financial statements.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the FIL

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People’s Congress approved the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”) and it became effective on January 1, 2020. The FIL replaced the law on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the law on Foreign-Capital Enterprises (《外資企業法》) to become the legal foundation for foreign Investment in the PRC. The FIL stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

The Potential Impact of the FIL on the Contractual Arrangements

The FIL specifically stipulates three specific forms of foreign investment, namely, (1) establishment of a foreign invested enterprise in the PRC by a foreign investor, either

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individually or collectively with any other investor; (2) obtaining shares, equity interests, assets, interests or any other similar rights or interests of an enterprise in the PRC by a foreign investor; and (3) investment in any new construction project in the PRC by a foreign investor, either individually or collectively with any other investor.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of our PRC Operating Entities, by ZX WFOE, through which we operate our business in the PRC. The FIL stipulates that foreign investment includes “foreign investors invest through any other methods under laws, administrative regulations or provisions prescribed by the State Council”. Therefore, there remains uncertainty regarding whether future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our PRC Operating Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors — Risks Relating to Our Contractual Arrangements”. Our Company will disclose, as soon as possible, updates of changes to the FIL that will materially and adversely affect our Company as and when occur.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Mr. WU Xubo is our co-founder, executive Director, chairman of the Board and chief executive officer. Immediately following the completion of the [REDACTED], Mr. WU Xubo, indirectly through WXB BVI 2, will hold 264,263,000 Shares, representing approximately [REDACTED]% of our total issued Shares (assuming the [REDACTED] is not exercised). WXB BVI 2 is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively. WXB BVI 1 is wholly-owned by Mr. WU Xubo. WXB Holdco is wholly-owned by WxLand Trust, a discretionary trust established by Mr. WU as the settlor and its beneficiaries are WXB BVI 1 and Mr. WU Xubo. Under the trust deed of the WxLand Trust, Mr. WU Xubo in his capacity as investment decision-maker of WxLand Trust shall have sole power to make decisions relating to the exercise of the voting rights in the shareholders’ meeting of WXB BVI 2 through WXB Holdco. Accordingly, Mr. WU Xubo, WXB BVI 1, WXB BVI 2 and WXB Holdco are our group of Controlling Shareholders upon the [REDACTED] under the Listing Rules.

COMPETITION

Each of our Controlling Shareholders and Directors has confirmed that he or she or it or his or her or its respective close associates do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Management Independence

Our daily operational and management decisions are made collectively by our Board and our senior management. Our Board consists of two executive Directors and three independent non-executive Directors. We believe our Directors and senior management can independently perform their duties in our Company and we can operate independently from our Controlling Shareholders, for the following reasons:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and all our Shareholders as a whole, and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders or their

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

- (c) our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, (i) our independent non-executive Directors are not associated with our Controlling Shareholders or their close associates; (ii) our independent non-executive Directors account for more than half of our Board; and (iii) our independent non-executive Directors individually and collectively possess the requisite knowledge as independent directors of listed companies and will be able to provide professional and experienced advice to our Company. Our Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and
- (d) we have implemented corporate governance measures and adopted sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, which would support our independent management. See “– Corporate Governance Measures” in this section.

Based on the above, our Directors are satisfied that we are able to manage our business independently from our Controlling Shareholders and/or their close associates after the [REDACTED].

Operational Independence

Our operations do not depend on our Controlling Shareholders and/or their close associates for the following reasons:

- (a) our Group holds all the relevant material intellectual property rights, licenses, qualifications and permits required for conducting our Group’s business;
- (b) our Group has sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and/or their close associates;
- (c) we have our own accounting and financial department, human resources and administration department, internal control department and technology department;
- (d) we have independent access to, among others, customers, suppliers, experts and other resources required for our Group’s business. We can exercise independent rights to make and implement our operational decisions without regard to our Controlling Shareholders; and
- (e) We have established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and/or their close associates after the [REDACTED].

Financial Independence

Our Group has an independent internal control, accounting and financial management system as well as an independent finance department which makes financial decisions according to our Group's own business needs. Our Group's accounting and finance functions are independent of our Controlling Shareholders and/or their close associates.

We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decision according to our own business needs. Our source of funding is independent from our Controlling Shareholders and/or their close associates. As of April 30, 2023, there were no loans, advances and balances due to and from and guarantee provided by our Controlling Shareholders and/or their close associates. Further, there is no security over assets and guarantees provided by our Controlling Shareholders and/or their close associates on our Group's borrowing. Our Directors confirm that our Group does not intend to obtain any borrowing, guarantees, pledges or mortgages from our Controlling Shareholders and/or their close associates.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and/or their close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We have adopted the following corporate governance measures to manage potential conflicts of interest between our Group and our Controlling Shareholders and/or their close associates:

- (a) under the Articles, where a Shareholders' meeting is held for considering proposed transactions in which our Controlling Shareholders and/or their close associates have a material interest, our Controlling Shareholders and/or their close associates shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (c) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and our Controlling Shareholders and/or their close associates, our Controlling Shareholders and/or their close associates shall

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;

- (d) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;
- (e) any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent Shareholders' approval requirements (if applicable) under the Listing Rules; and
- (f) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or their close associates to protect minority Shareholders' rights after the [REDACTED].

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

Due to foreign investment restrictions and prohibitions in the PRC, we entered into the Contractual Arrangements whereby ZX WFOE has acquired effective control over our PRC Operating Entities, and become entitled to all the economic benefits derived from our PRC Operating Entities.

The Contractual Arrangements currently in effect comprise the following agreements, namely (i) the exclusive business cooperation agreement; (ii) the exclusive option agreement; (iii) the equity pledge agreements; and (iv) the irrevocable power of attorney executed by each of the Registered Shareholders. For details, please refer to the section headed “Contractual Arrangements” in this document.

Listing Rules Implications

For the purposes of Chapter 14A of the Listing Rules, our PRC Operating Entities will be treated as our wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our connected persons.

Our Directors, including the independent non-executive Directors, and the Joint Sponsors are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operation and it is justifiable and normal business practice for agreements under the Contractual Arrangements to have a term of longer than three years to ensure that (i) the financial and operational policies of the PRC Operating Entities can be effectively controlled by ZX WFOE; (ii) ZX WFOE can obtain the economic benefits derived from the PRC Operating Entities; and (iii) any possible leakage of assets and values of the PRC Operating Entities can be prevented on an uninterrupted basis. Such transactions have been entered into on normal commercial terms and are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

Our Directors also believe that our Group’s structure, whereby the financial results of the PRC Operating Entities are consolidated into our Group’s financial statements as subsidiaries and the flow of economic benefits of their business to our Group, places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between the PRC Operating Entities and any member of our Group (“**New Intergroup Agreements**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it is unduly burdensome and

CONNECTED TRANSACTIONS

impracticable, and would add unnecessary administrative costs to our Company if the Contractual Arrangements are subject to the requirements set out under Chapter 14A of the Listing Rules.

WAIVER APPLICATIONS

The Contractual Arrangements

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules, (ii) the annual cap requirement for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are [REDACTED] on the Stock Exchange subject however to the following conditions:

(a) *No change without independent non-executive Directors' approval*

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) *No change without independent Shareholders' approval*

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement to or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) *Economic benefits flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operating Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire, all or part of the equity interests in the PRC Operating Entities at the minimum purchase price permitted under PRC laws and regulations, (ii) the business structure under which the profit generated by the PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to ZX WFOE by the PRC Operating Entities under the exclusive business cooperation agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Operating Entities.

CONNECTED TRANSACTIONS

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of our Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that the profit generated by the PRC Operating Entities has been substantially retained by ZX WFOE, (ii) no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly owned subsidiary of our Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- Our Company’s auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in

CONNECTED TRANSACTIONS

accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly-owned subsidiary of our Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the PRC Operating Entities and each of its subsidiaries will be treated as our Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities, its subsidiaries and their associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- The PRC Operating Entities will undertake that, for so long as the Shares are [REDACTED] on the Stock Exchange, the PRC Operating Entities will provide our Group’s management and our Company’s auditor with full access to their relevant records, and (where applicable) relevant records of their subsidiaries, for the purpose of our Company’s auditor’s review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Rule 14A.105 of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreement, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from the PRC Operating Entities under any New Intergroup Agreement under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are [REDACTED] on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that the PRC Operating Entities will continue to be treated as our Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities and their associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

JOINT SPONSORS’ AND DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions set out above (i) have been entered into in the ordinary and

CONNECTED TRANSACTIONS

usual course of business of our Company, and on normal commercial terms or better; and (ii) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have participated in the due diligence and discussions with our management and have obtained necessary representations and confirmations from our Company and our Directors. Based on the Joint Sponsors’ due diligence, the Joint Sponsors are of the view that the continuing connected transactions set out above (i) have been entered into in the ordinary and usual course of business of our Company, and on normal commercial terms or better; and (ii) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors:

<u>Name</u>	<u>Age</u>	<u>Positions</u>	<u>Roles and Responsibilities</u>	<u>Date of Joining the Group</u>	<u>Date of appointment as a Director</u>
Mr. WU Xubo (吳旭波)	38	Chairman, chief executive officer and executive Director	Responsible for overall operation and management, strategic planning, fundraising and investment, overall financial management of our Group	May 21, 2015	March 18, 2021
Ms. WU Xuan (吳璇)	38	Chief operating officer and executive Director	Responsible for sales and marketing business and overseeing daily operation and management of our Group	May 21, 2015	November 16, 2022
Ms. SONG Siyun (宋司筠)	36	Independent non-executive Director	Supervising and providing independent judgement to the Board	March 30, 2023	March 30, 2023
Mr. QIN Yongde (覃永德)	59	Independent non-executive Director	Supervising and providing independent judgement to the Board	March 30, 2023	March 30, 2023
Ms. ZHENG Yi (鄭怡)	51	Independent non-executive Director	Supervising and providing independent judgement to the Board	March 30, 2023	March 30, 2023

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WU Xubo (吳旭波), aged 38, is our co-founder, executive Director, chairman and chief executive officer. Mr. WU has extensive experience of over 16 years in the internet technology industry. Mr. WU was recognized as the Outstanding Chinese Brand Entrepreneur (中國品牌優秀企業家) by Asian Brand Festival Organizing Committee (亞洲品牌盛典組委會) in September 2021 and Innovative Shangrao Businessman (創新饒商) of the 2nd Global Shangrao Businessman Conference by Shangrao Municipal People’s Government in April 2021. Mr. WU was awarded Top Ten Outstanding Youths in Shangrao (上饒十大傑出青年) and Shangrao Youth May 4th Medal (上饒青年五四獎章) by Shangrao City Committee of the Communist Youth League of the Communist Party of China (共青團上饒市委員會) and Shangrao Youth Federation (上饒市青年聯合會) jointly in May 2019 and May 2018, respectively.

Mr. WU has been the chairman and a director of Jiangxi Tanwan since he founded our Group in May 2015. Prior to that, Mr. WU worked in Guangzhou Weidong Network Technology Co., Ltd. (廣州維動網絡科技有限公司), a company focusing on web game operation and marketing, with his last position being the marketing director, from December 2008 to January 2015, responsible for overall marketing affairs, where he co-founded the 91wan Web Game Platform (91wan網頁遊戲平台).

Mr. WU obtained a college diploma of judicial police from Jiangxi Judicial Police Vocational College (江西司法警官職業學院) in the PRC in July 2006.

Ms. WU Xuan (吳璇), aged 38, is our co-founder, executive Director and chief operating officer. Ms. WU has extensive experience of over 15 years in the internet technology industry. Ms. WU was recognized as 2021 Industry Influencers (2021行業影響力人物) by the 10th China Finance Summit in July 2021 and recognized on 2020 China’s New Growth Pioneers List (2020中國新增長先鋒人物榜) by Harvard Business Review in December 2020. Ms. WU has been a board member of Effie Performance Marketing Award (艾菲效果營銷獎) since September 2020 and served as a judge of the 2021 Effie Performance Marketing Award Finals (艾菲效果營銷獎終審).

Ms. WU has been a director of Jiangxi Tanwan since May 2015. Prior to that, Ms. WU worked in Guangzhou Weidong Network Technology Co., Ltd. (廣州維動網絡科技有限公司) from December 2008 to March 2015 with her last position being a marketing director, where she co-founded the 91wan Web Game Platform (91wan網頁遊戲平台).

Ms. WU obtained a bachelor degree in human resource management from South China Normal University (華南師範大學) in the PRC through part-time study in January 2011.

Independent Non-executive Directors

Ms. SONG Siyun (宋司筠), aged 36, is our independent non-executive Director. Ms. SONG served as a partner of Golden Vision Capital, an investment fund focusing on investing in the healthcare industry from August 2020 to October 2021.

DIRECTORS AND SENIOR MANAGEMENT

Prior to that, Ms. SONG served as (i) a director in the investment banking department of GF Securities Co., Ltd., a public company listed on the Stock Exchange (stock code: 01776) and the Shenzhen Stock Exchange (stock code: 000776), where she was responsible for equity financing services including corporate initial public offerings and private placements, from August 2008 to May 2015; (ii) a managing director of Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) from July 2016 to December 2017, where she was responsible for the equity investment and listed company business; and (iii) the general manager of Guangzhou Mintou Industry Investment Management Co., Ltd. (廣州民投產業投資管理有限公司) from December 2017 to December 2019, where she was responsible for equity investment in the healthcare industry.

Ms. SONG obtained a bachelor degree in finance from Southwestern University of Finance and Economics (西南財經大學) in the PRC in June 2008.

Mr. QIN Yongde (覃永德), aged 59, is our independent non-executive Director. Mr. QIN obtained the PRC legal professional qualification in 1989 and has accumulated experiences of more than thirty years in legal practice.

Mr. QIN has been a partner and associate of Guangdong Neo-ark Law Firm (廣東洛亞律師事務所) since July 2021. Prior to that, Mr. QIN served as (i) the director in Guangdong Neo-ark Law Firm from September 2011 to July 2021; (ii) an independent non-executive director of Guangxi Wuyi Pipe Industry Co., Ltd. (廣西五一管業股份有限公司) from October 2017 to May 2021; (iii) a partner and associate of Guangdong United Intellectus Law Firm (廣東智洋律師事務所) from July 2001 to August 2011; (iv) a partner and associate of Guangxi Sunward Law Firm (廣西欣和律師事務所) from May 1998 to December 2000; and (v) a lecturer at the Law School of Guangxi University (廣西大學) in the PRC from July 1991 to August 1993.

Mr. QIN obtained a bachelor degree of arts in English from Guangxi Normal University (廣西師範大學) in the PRC in July 1985 and a master degree of laws in international law from Sun Yat-sen University (中山大學) in the PRC in July 1990.

Ms. ZHENG Yi (鄭怡), aged 51, is our independent non-executive Director. Ms. ZHENG is a certified public accountant in the PRC. She serves as a government procurement evaluation expert of Sichuan province since September 2022, and has been engaged as an off-campus graduate student tutor at the Accounting School of Southwestern University of Finance and Economics (西南財經大學) in December 2011. Ms. ZHENG also obtained the Board Secretary Qualification of Shanghai Stock Exchange in September 2004.

Ms. ZHENG has been a certified public accountant of Sichuan Tongde Certified Public Accountants Firm Co., Ltd. (四川同德會計師事務所有限公司) since October 2017, focusing on audit and consultation services. Prior to that, Ms. ZHENG served as (i) several senior roles at Chengdu Peoples Department Store (Group) Co., Ltd. (成都人民商場(集團)股份有限公司) (subsequently known as Chengshang Group Co., Ltd. (成商集團股份有限公司) and currently known as Maoye Commercial Co., Ltd. (茂業商業股份有限公司) (“**Maoye Commercial**”), a public company listed on the Shanghai Stock Exchange (stock code: 600828)) from May 1997 to

DIRECTORS AND SENIOR MANAGEMENT

July 2017 with her last position being the financial controller of Maoye Commercial, where she was responsible for overall financial management and accounting matters; and (ii) the board secretary of Maoye Commercial from April 2009 to July 2017 where she was responsible for the information disclosure and maintaining the relationship with investors. Ms. ZHENG was also a director of Maoye Commercial Co., Ltd. from April 2009 to July 2017.

Ms. ZHENG obtained a bachelor degree in accounting from the Central Broadcast and Television University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) and Beijing Technology and Business university (北京工商大學) in the PRC jointly through part-time study in July 2003.

General

None of our Directors are related to other Directors or members of our senior management. Save as disclosed above, none of our Directors held any directorship in public companies whose securities were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

Save as disclosed below, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters in respect of our Directors that are required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules, and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

Winding-up Order against Guangdong Keywa Chemical Trading Center Co., Ltd. (廣東奇化化工交易中心股份有限公司) (“Guangdong Keywa”) of which Ms. SONG Siyun was one of the five directors.

Under Rule 13.51(2)(1) of the Listing Rules, a director must disclose his/her directorship in any company which has been dissolved or put into liquidation (otherwise than by a member’s voluntary winding-up when the company, in the case of a Hong Kong company, was solvent) or bankruptcy or been the subject of an analogous proceeding during the period when he/she was one of its directors. Ms. SONG Siyun was appointed as a non-executive director of Guangdong Keywa on December 12, 2018.

Guangdong Keywa was established in the PRC on December 18, 2013 and its principal activities were operating online platforms for investments in the chemical trading markets. Compulsory winding-up proceeding was initiated against Guangdong Keywa upon a petition filed by Guangzhou Pinzhong Tax Agent Office Co., Ltd (廣州品中稅務師事務所有限公司) (the “**Petitioner**”) to Guangzhou Intermediate People’s Court on October 13, 2021 seeking a court order to wind up Guangdong Keywa on the grounds that Guangdong Keywa was indebted to the Petitioner and that Guangdong Keywa was insolvent and unable to pay its debts (the “**Claim**”). The winding-up proceeding against Guangdong Keywa was on-going as of the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Ms. SONG Siyun confirmed that (i) she was merely a non-executive director of Guangdong Keywa and was not involved on any day-to-day management of Guangdong Keywa. Each board meeting Ms. SONG attended since her appointment was on corporate logistic matters such as change in corporate filing and registration; (ii) Ms. SONG and her associates were not related to any other director, shareholder, senior management of Guangdong Keywa or their respective associates; and (iii) since the Claim and up to the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Ms. SONG Siyun in her capacity as a director of Guangdong Keywa.

To the best of our Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Ms. SONG Siyun involved in the winding-up of Guangdong Keywa.

SENIOR MANAGEMENT

In addition to our executive Directors, the senior management team of our Group comprises the following person:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and Responsibilities</u>	<u>Date of Joining our Group</u>	<u>Date of appointment</u>
Mr. LUO Xihu (羅錫虎)	35	Head of operating	Responsible for business operations of our Group	June 1, 2015	June 1, 2015

Mr. LUO Xihu (羅錫虎), aged 35, has been the head of operating of our Group since he joined our Group in June 2015. Prior to that, Mr. LUO served as a marketing director in Guangzhou Weidong Network Technology Co., Ltd. (廣州維動網絡科技有限公司) from July 2010 to March 2015, where he was responsible for external marketing.

Mr. LUO obtained a bachelor degree in management from South China Agricultural University (華南農業大學) in the PRC in July 2010.

Mr. LUO is not related to our Directors or other members of our senior management. Save as disclosed above, none of the members of our senior management held any directorship in public companies whose securities were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

COMPANY SECRETARY

Mr. ZHANG Mengchi (張夢馳), aged 37, was appointed as our company secretary on November 16, 2022. Mr. ZHANG is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. He holds a master degree in Professional Accounting and Corporate Governance from the City University of Hong Kong, and is an associate member of The Hong

DIRECTORS AND SENIOR MANAGEMENT

Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to our Board. The audit committee consists of three members, namely Ms. ZHENG Yi, Ms. SONG Siyun and Mr. QIN Yongde. Ms. ZHENG Yi (being an independent non-executive Director with the appropriate professional qualification) has been appointed as the chairlady of the audit committee.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee consists of three members, namely Ms. SONG Siyun, Mr. WU Xubo and Ms. ZHENG Yi. Ms. SONG Siyun has been appointed as the chairlady of the remuneration committee.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee consists of three members, namely Mr. WU Xubo, Ms. SONG Siyun, and Ms. ZHENG Yi. Mr. WU Xubo has been appointed as the chairman of the nomination committee.

DIRECTORS’ AND SENIOR MANAGEMENT’S REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, equity-settled share payment expenses and pension scheme contributions. The aggregate amount of remuneration for the five highest paid individuals of our Group, who is neither a director nor chief executive of the Company, for the three years ended December 31, 2022 and the four months ended April 30, 2023 was approximately RMB835.7 million, RMB1.8 million, RMB12.1 million and RMB17.4 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration for our Directors for the three years ended December 31, 2022 and the four months ended April 30, 2023 was approximately RMB256.0 million, RMB1.2 million, RMB10.7 million and RMB16.1 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended December 31, 2022 and the four months ended April 30, 2023 by our Company to our Directors or senior management.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors for the financial year ending December 31, 2023 is expected to be approximately RMB31.5 million.

No bonuses were paid or receivable by our Directors which were discretionary or were based on our Company's, our Group's or any member of our Group's performance for the Track Record Period.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share buy-back;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The term of appointment of the compliance adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the [REDACTED] except for code provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the Board and chief executive officer of the Company should be separate and should not be performed by the same individual.

The roles of chairman of the Board and chief executive officer of our Company are currently performed by Mr. WU Xubo. In view of Mr. WU’s substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. WU acting as both our chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. WU continues to act as both our chairman and chief executive officer after the [REDACTED], and therefore currently do not propose to separate the functions of chairman and chief executive officer. While this would constitute a deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. WU and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to our Board,

DIRECTORS AND SENIOR MANAGEMENT

including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including in management, marketing, business development, investment management and corporate finance. They obtained degrees in various majors including business administration, management, finance, laws and human resources management.

Regarding the gender diversity on our Board, we recognize the particular importance of gender diversity. Our Board currently comprises three female Directors and two male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize on the training of female talents and providing long-term development opportunities for our female staff.

Our nomination committee is responsible for ensuring the diversity of our Board members. After the [REDACTED], our nomination committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately after the [REDACTED] and assuming that the [REDACTED] is not exercised, the following persons are expected to have an interest and/or short positions in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of substantial Shareholder	Nature of interest	As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised) ⁽¹⁾	
		Number of Shares	Approximate percentage in our Company	Number of Shares	Approximate percentage in our Company
Mr. WU Xubo ⁽²⁾⁽³⁾	Interest in a controlled corporation; founder of a discretionary trust	264,263,000	51.27%	264,263,000	[REDACTED]%
	Beneficial interest ⁽³⁾	4,100,518	0.80%	4,100,518	[REDACTED]%
WXB BVI 2 ⁽²⁾	Beneficial interest	264,263,000	51.27%	264,263,000	[REDACTED]%
WXB BVI 1 ⁽²⁾	Interest in a controlled corporation	264,263,000	51.27%	264,263,000	[REDACTED]%
WXB Holdco ⁽²⁾	Interest in a controlled corporation	264,263,000	51.27%	264,263,000	[REDACTED]%
TMF (Cayman) Ltd. ⁽²⁾	Trustee of a trust	264,263,000	51.27%	264,263,000	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. WU Xubo holds his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively. WxLand Trust was established by Mr. WU Xubo as the settlor and TMF (Cayman) Ltd. as the trustee. WxLand Trust is a discretionary trust and its beneficiaries are Mr. WU Xubo and WXB BVI 1. Under the trust deed of WxLand Trust, Mr. WU Xubo in his capacity as investment decision-maker of WxLand Trust shall have sole power to make decisions relating to the exercise of the voting rights in the shareholders' meeting of WXB BVI 2 through WXB Holdco.

SUBSTANTIAL SHAREHOLDERS

- (3) Mr. WU Xubo was granted options under the Pre-[REDACTED] Share Option Plan on November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023 and July 31, 2023 to subscribe for 3,819,592 Shares, 61,855 Shares, 10,309 Shares, 167,525 Shares and 41,237 Shares, respectively.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED], have any interest and/or short positions in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the [REDACTED]:

	<u>Number of Shares</u>	<u>Aggregate nominal value</u>
Authorized share capital as of the Latest Practicable Date	2,500,000,000	US\$50,000.00
Authorized share capital to be increased immediately before the completion of the [REDACTED]		
- Shares in issue as of the date of this document	515,463,918	US\$10,309.28
- Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[US\$[REDACTED]]
Total issued Shares immediately following completion of the [REDACTED]	[REDACTED]	[US\$[REDACTED]]

Assumptions

The above table (i) assumes that the [REDACTED] becomes unconditional and Shares are issued pursuant to the [REDACTED], (ii) does not take into account any Shares that may be issued or canceled or any other potential change to the share capital as described in “– Potential changes to share capital” below, and (iii) assumes the [REDACTED] is not exercised.

Ranking

The [REDACTED] are ordinary shares in our share capital and rank equally with all Shares currently in issue and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

The Company may from time to time by ordinary resolution in a general meeting:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Act; and

SHARE CAPITAL

- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum.

For details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – 2.1(c) Alteration of capital” in Appendix III to this document.

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

For details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – 2.1(b) Variation of rights of existing shares or classes of shares” in Appendix III to this document for details.

General mandate to issue Shares

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised); and
- the total number of Shares repurchased by our Company pursuant to the authority referred to in “– General mandate to repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

SHARE CAPITAL

General mandate to repurchase Shares

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See “Statutory and General Information – A. Further Information About Our Company and Our Subsidiaries – 5. Buying-back of Our Own Securities” in Appendix IV to this document for further details of this general mandate to repurchase Shares.

PRE-[REDACTED] SHARE OPTION PLAN

The Pre-[REDACTED] Share Option Plan was adopted on November 4, 2022 to, among others, attract and retain incentivize and retain our key employees. Each option granted under the Pre-[REDACTED] Share Option Plan represents the right to purchase one Share at a pre-determined exercise price, subject to vesting and other conditions provided for under the Pre-[REDACTED] Share Option Plan.

On November 22, 2022, our Company allotted and issued 17,463,918 Shares, representing approximately 3.39% of the total issued Shares at the nominal value, to GLORIOUS TYCOON LIMITED (亨愉有限公司) (a BVI company wholly-owned by CMB Wing Lung (Trustee) Limited (the “ESOP Trustee”)), WxScarlett Ventures Limited (a BVI company wholly-owned by the ESOP Trustee) and WxDR Ventures Limited (a BVI company wholly-owned by the ESOP Trustee), which collectively hold such Shares on trust for the Pre-[REDACTED] Share Option Plan. Upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the

SHARE CAPITAL

aggregate number of Shares held by GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited shall represent approximately [REDACTED]% of the issued Shares. See “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document for further details.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as of and for each of the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, and the accompanying notes included in the Accountants’ Report set out in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including “Risk Factors” and “Business.”

OVERVIEW

We are a publisher of online game products in China. We run our online game publishing business under the brand of “Tan Wan” and are devoted to marketing and operating online games (in particular mobile games) in China. According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China in 2022.

Since our inception, we have enabled marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023. We maintained an average of five years of business relationships with our five largest game developer clients during the Track Record Period. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. For the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated. During the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. In addition to game products, we also export our core capabilities to enabling marketing of online literature products.

Furthermore, apart from our “Tan Wan” brand, the end-user insights we accumulate allow us to spot other needs of end-users. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand “Zha Zha Hui” (渣渣灰) and pop toy brand “Bro Kooli.”

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we generated a revenue of RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7

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million and RMB2,448.3 million, respectively. In 2021, 2022 and the four months ended April 30, 2022 and 2023, we generated a profit of RMB616.4 million, RMB491.5 million, RMB124.6 million and RMB242.1 million, respectively. We recorded a loss of RMB1,301.1 million in 2020.

BASIS OF PRESENTATION

Our consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been consistently applied by us in the preparation of the consolidated financial statements throughout the Track Record Period. Our consolidated financial statements have been prepared under the historical cost convention, except for financial assets at FVTPL which have been measured at fair value.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by general factors driving China’s economy, in particular, the digital economy, and the mobile game industry. These factors include levels of per capita disposable income, levels of consumer spending, rate of internet and mobile penetration, overall digitalization spending and other general economic conditions in China that affect consumption and business activities in general. In particular, we have benefited from the rapid growth of China’s digital economy and its demand for more mobile game products. According to Frost & Sullivan, the market size of the mobile game industry in China in terms of user spending increased from RMB158.0 billion in 2018 to RMB240.2 billion in 2022 at a CAGR of 11.0% and is expected to reach RMB343.0 billion in 2027, representing a CAGR of 7.4% from 2022 to 2027. We anticipate that the demand for mobile game products across various industry verticals will continue to grow.

In particular, we believe our results of operations are more directly affected by the following major factors:

- Our ability to attract new clients and deepen engagement with existing clients;
- Our ability to reach and retain the target end-user base for the mobile game products marketed and operated by us;
- Our ability to continually enhance our full lifecycle online game publishing business and other marketing business offerings to realize long-lasting effects of the products we market and operate and enable more consumer product business opportunities;

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- Our ability to effectively manage our costs and expenses and enhance operating efficiency; and
- Our ability to continually innovate our technology capabilities.

Our ability to attract new clients and deepen engagement with existing clients

Our revenue increased significantly by 99.7% from RMB2,872.4 million in 2020 to RMB5,735.7 million in 2021 and further increased by 53.7% to RMB8,817.2 million in 2022. Such growth was in part driven by our ability to attract new clients and expand and extend our relationship with existing clients.

First, we are dedicated to identifying, engaging and retaining clients with the potential to create and develop online game products, with long-lasting effects. We leverage our deep insights into the mobile game industry to automate marketing and monetization, freeing our potential clients, primarily developers of online game products, to focus on what they do best — developing high caliber online game products. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had accumulated 61, 89, 109 and 126 enterprise clients for our online game publishing business and other marketing business, respectively.

Second, our future growth is also dependent on our ability to maintain and deepen relationships with our existing clients. Such relationship allows us to continue to expand our services to better serve the needs of our clients. We adhere to a “land, expand, extend” business model. After prospecting and landing clients, we focus on expanding and extending our relationship with the clients, including using one or more of our core capabilities to achieve a prolonged lifecycle, a stronger financial performance and a greater brand recognition of the products we market and operate. We maintained an average of five years of business relationships with our five largest clients during the Track Record Period, indicating the long-term value of our business relationship with our clients and our ability to retain and grow revenue from clients. To deepen our relationship with existing clients, we will continue to enhance our data insights and develop proprietary technology to improve our online game publishing business and other marketing business. We expect that our ability to increase adoption of our services within existing clients will increase our future opportunities through additional sales.

Our ability to reach and retain the target end-user base for the online game products marketed and operated by us

Our results of operation are dependent upon our ability to reach the target end-user base, in particular, the ability to convert potential new end-users into registered users and convert registered user into paying end-users, of the online game products we market and operate. The size and quality of our end-user base determines the maximum addressable audience for engagement. It is vital for our services to reach the target network of end-users as the size and quality of the end-user base determines our maximum addressable audience for engagement. We make substantial investments in end-user acquisition and retention. On the end-user acquisition

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front, as the online game products we market are distributed on multiple devices, we deploy our campaigns across a wide mix of social and mobile channels. Leveraging the variety of data generated from cross-platform distribution, we believe we can deliver high returns for the online game products in long run as compared to our competitors on a single platform. Our data scale and channel diversification contribute to the economy of scale. We operate thousands of campaigns targeting hundreds of discrete clusters through a mix of channels and formats across multiple platforms, subject to the tailored product-specific target return parameters. We regularly monitor the results of our digital marketing campaigns. On the end-user retention front, our deep insights powered by machine learning and our sophisticated business relationship management tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing customer retention and engagement rates and resulting in higher end-user lifetime value. Notably, our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings.

We believe these capabilities set us apart from our competitors, ensuring a significant growth in proceeds enjoyed by our clients and the predicted lifetime value of an end-user. As of April 30, 2023, we established business partnerships with more than 220 collaborating online media platforms. This enables us to further strengthen our end-user acquisition and precision digital marketing capabilities. Notably, as of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. For the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated. During the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. In addition to game products, we also export our core capabilities to enabling marketing of online literature products. Our persistent focus and continuous success in end-user traffic acquisition and management has enabled us to gradually build up a loyal end-user base, which forms the foundation for scalability and sustainability of our business.

Our ability to continually enhance our full lifecycle online game publishing business and other marketing business offerings to realize long-lasting effects of the products we market and operate and enable more consumer product business opportunities

Our full life cycle online game publishing business and other marketing business enables our clients to focus on their core competencies while relying on us for their online game products’ precision marketing, in-depth operation and brand development needs. Our ability to grow our business depends in part on our ability to continually develop and improve our full life cycle business offerings for clients in the mobile game industry. We focus on serving industries with large and untapped monetization potential, from the front-end digital marketing to the mid-to-back-end operation enhancement. We continue to help our clients acquire and retain end-users throughout the entire lifecycle of the product through post-launching operation enhancement. Provision of full lifecycle services enables us to gain deeper user and industry insights than our competitors, which, in turn, strengthen our capabilities to enhance our ability to devise and execute precision marketing, in-depth operation, and brand development strategies for our clients. Such full lifecycle approach helps our clients strengthen user stickiness and increase the willingness to pay. Since our inception, we have provided in-depth operation for 11

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game products for more than five years and 28 game products for more than three years as of April 30, 2023.

In addition, we also endeavor to develop the IP matrix surrounding online games and provide creative branding development services as part of our business to break through the plateau stage of marketing through precise marketing and targeted acquisition of traffic. In particular, we extend the application of the game product IPs and derive numerous innovative brands and content based on such IPs and brands in accordance with prevailing end-user preferences and trend to achieve scalability and cross-sector monetization. The creation of “Zha Zha Hui” is a solid proof evidencing our success on this front. Benefiting from the end-user insights we accumulate, we continuously capture and analyze valuable end-user behavior and performance data. Based on our judgments on market trends of e-commerce business and social media platforms, we made a strategic decision to penetrate into the instant food industry. As exemplified by the launch of our instant food brand “Zha Zha Hui” in 2020, we continuously capture and analyze valuable end-user behavior and performance data in connection with the popular RPG game products we market and operate. Through our market research on consumer demographics, buying habits and purchase power, including data analysis based on in-app purchases, we have learned that the end-users of this game product share desirable characteristics with lovers of instant food among the younger generation. We also believe that the brand recognition we have achieved with the end-users of the game products we market and operate will help drive the advancement and penetration of our business in the instant food sector. “Zha Zha Hui” is designed as an instant food brand with emphasis on instant prepared rice noodles and primarily targets the instant food-centered pop culture among the younger generation. “Zha Zha Hui” has become one of the fastest growing brands in the instant food sector in terms of GMV, according to Frost & Sullivan. “Zha Zha Hui” leverages multi-channel strategies to market private-label and local-flavor rice noodle products and other fast consumer foods. Additionally, we launched Bro Kooli, a self-developed trendy pop toy with a broccoli-like head, to capture the growth in the pop toy market. We have created and attributed characteristic backgrounds for Bro Kooli to establish emotional connections with individual consumers. We will continually seek to enhance our business offerings and explore more consumer product business opportunities through investment in our technology and service capabilities. Our consumer product business have diversified our revenue composition and have facilitated our expansion into offline channels, enabling us to generate larger end-user base and accumulate more end-user insights, which in turn allows us to further optimize our marketing and operation capabilities.

Our ability to effectively manage our costs and expenses and enhance operating efficiency

Our ability to improve profitability is dependent in part on our ability to control our costs and expenses through enhancing our operating leverage and efficiency. Our cost of sales, which primarily consists of commissions to collaborating distribution and payment channels, are subject to various factors, such as our bargaining power with such channels. Our operating efficiency is also affected by our ability to (i) increase the utilization of our existing technologies, services and workforce; and (ii) apply new technologies to improve efficiencies across our business, and drive optimization in our online game publishing business and other marketing business with our data insights.

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During the Track Record Period, we incurred a significant amount of selling and distribution expenses of RMB1,916.7 million, RMB3,851.2 million, RMB5,622.4 million, RMB1,919.1 million and RMB1,391.6 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively, accounting for 66.7%, 67.1%, 63.8%, 67.4% and 56.8% of our total revenue for the respective periods. The selling and distribution expenses reflect our marketing efforts to promote our full lifecycle online game publishing business and other marketing business and end-user engagement and retention. Such marketing efforts has resulted in a significant growth of our average MAU, MPU and ARPPU during the Track Record Period. Notably, our average MAU for the game products we marketed and operated increased from approximately 5.1 million in 2020 to over 10.0 million in 2022 and our average MPU increased from approximately 661 thousand in 2020 to approximately 1.8 million in 2022.

The table below sets forth a sensitivity analysis of the impact of hypothetical fluctuations of ARPPU on our revenue and profit/(loss) before tax, assuming that all other variables remain constant during the Track Record Period.

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	Change in revenue	Change in profit/(loss) before tax	Change in revenue	Change in profit/(loss) before tax	Change in revenue	Change in profit/(loss) before tax	Change in revenue	Change in profit/(loss) before tax	Change in revenue	Change in profit/(loss) before tax
	<i>(RMB in thousands)</i>									
Change in ARPPU										
+ 10%	287,239	287,239	570,539	570,539	860,146	860,146	281,111	281,111	236,653	236,653
+ 8%	229,791	229,791	456,431	456,431	688,117	688,117	224,889	224,889	189,322	189,322
+ 5%	143,620	143,620	285,270	285,270	430,073	430,073	140,556	140,556	118,326	118,326
- 5%	(143,620)	(143,620)	(285,270)	(285,270)	(430,073)	(430,073)	(140,556)	(140,556)	(118,326)	(118,326)
- 8%	(229,791)	(229,791)	(456,431)	(456,431)	(688,117)	(688,117)	(224,889)	(281,111)	(189,322)	(236,653)
- 10%	(287,239)	(287,239)	(570,539)	(570,539)	(860,146)	(860,146)	(281,111)	(281,111)	(236,653)	(236,653)

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The table below sets forth a sensitivity analysis of the impact of hypothetical fluctuations of commissions to third-party distribution channels on our cost of sales and profit/(loss) before tax, assuming that all other variables remain constant during the Track Record Period.

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	Change in cost of sales	Change in profit/(loss) before tax	Change in cost of sales	Change in profit/(loss) before tax	Change in cost of sales	Change in profit/(loss) before tax	Change in cost of sales	Change in profit/(loss) before tax	Change in cost of sales	Change in profit/(loss) before tax
	<i>(RMB in thousands)</i>									
Change in commissions to third-party distribution channels										
+ 10%	32,102	(32,102)	72,381	(72,381)	193,786	(193,786)	59,221	(59,221)	63,412	(63,412)
+ 8%	25,681	(25,681)	57,905	(57,905)	155,028	(155,028)	47,377	(47,377)	50,729	(50,729)
+ 5%	16,051	(16,051)	36,190	(36,190)	96,893	(96,893)	29,610	(29,610)	31,706	(31,706)
- 5%	(16,051)	16,051	(36,190)	36,190	(96,893)	96,893	(29,610)	29,610	(31,706)	31,706
- 8%	(25,681)	25,681	(57,905)	57,905	(155,028)	155,028	(47,377)	47,377	(50,729)	50,729
- 10%	(32,102)	32,102	(72,381)	72,381	(193,786)	193,786	(59,221)	59,221	(63,412)	63,412

The table below sets forth a sensitivity analysis of the impact of hypothetical fluctuations of marketing and promotion expenses on our selling and distribution expenses and profit/(loss) before tax, assuming that all other variables remain constant during the Track Record Period.

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	Change in selling and distribution expenses	Change in profit/ (loss) before tax	Change in selling and distribution expenses	Change in profit/ (loss) before tax	Change in selling and distribution expenses	Change in profit/ (loss) before tax	Change in selling and distribution expenses	Change in profit/ (loss) before tax	Change in selling and distribution expenses	Change in profit/ (loss) before tax
	<i>(RMB in thousands)</i>									
Change in marketing and promotion expenses										
+ 10%	164,343	(164,343)	373,929	(373,929)	544,028	(544,028)	186,617	(186,617)	132,230	(132,230)
+ 8%	131,474	(131,474)	299,143	(299,143)	435,222	(435,222)	149,293	(149,293)	105,784	(105,784)
+ 5%	82,171	(82,171)	186,965	(186,965)	272,014	(272,014)	93,308	(93,308)	66,115	(66,115)
- 5%	(82,171)	82,171	(186,965)	186,965	(272,014)	272,014	(93,308)	93,308	(66,115)	66,115
- 8%	(131,474)	131,474	(299,143)	299,143	(435,222)	435,222	(149,293)	149,293	(105,784)	105,784
- 10%	(164,343)	164,343	(373,929)	373,929	(544,028)	544,028	(186,617)	186,617	(132,230)	132,230

We continue to dedicate ourselves to streamlining our operations and improving our project management. Controlling operating expenses to achieve optimal operating efficiency is important to our success. As our business grows in scale, we continue to have significant

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operating leverage and realize structural cost savings. We believe the continued growth of our business and expansion of our market share can benefit us from economies of scale, resulting from higher utilization of our services and technologies and stronger bargaining power with the collaborating distribution channels and media platforms. In addition, we believe our services have network effects that can promote our brand effectively and enhance our marketing efficiency. An increase in the number of online games marketed and operated by us increases the acceptance among existing and prospective clients and end-users, which further contributes to the potential success of our services and the actionable insights we generate, forming a virtuous cycle. The self-reinforcing network effects of our services and associated operating leverage allow us to promote our brand and compete effectively by enjoying lower acquisition cost and growing product lifetime value.

Our ability to continually innovate our technology capabilities

Our business growth depends in part on our ability to develop proprietary technologies and apply technologies to enhance our capabilities in the online game publishing business and other marketing business thus to improve our end-user experience. Our ability to engage end-users and empower clients is affected by the breadth and depth of our ability to generate actionable insights, such as our technology capabilities to develop our business intelligence analytics system and our continued ability to timely adapt to the rapidly evolving industry trends and client and end-user preferences.

We have made, and will continue to make, significant investments in developing our technology capabilities to attract clients, enhance clients experience and expand our service offerings. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our research and development costs amounted to RMB472.4 million, RMB136.9 million, RMB157.7 million, RMB47.3 million and RMB57.7 million, respectively. We plan to invest in our research and development and continue to significantly invest in developing and upgrading our technology with a focus on optimizing the precision marketing, in-depth operation and brand development provide to the online game products and delivering a superior and differential user experience. We also intend to continue to invest heavily in attracting and retaining key talent, in particular talent recruitment in the fields of marketing automation, digitalization and intelligentization to strengthen our technological advantage and to support our business growth and drive our overall long-term growth.

IMPACT OF COVID-19 ON OUR OPERATIONS

Our revenue is primarily derived from our online game publishing business and other marketing business leveraging our digital marketing, in-depth user operation and brand development capabilities. Our results of operations and financial condition have been and may continue to be affected by the recurrence of COVID-19. Although China had substantially controlled the nationwide spread of COVID-19 as of the Latest Practicable Date, the extent to which COVID-19 may impact our results of operations will depend on the future developments of the outbreak which are uncertain. For more details, see “Risk Factors — Risks Relating to Our Business and Industry — We face risks related to natural disasters, health epidemics and

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other outbreaks beyond our control, such as the COVID-19 pandemic, which presents challenges to our business, and the effects of the COVID-19 pandemic could adversely affect our business, financial condition and results of operations.”

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in note 2.4 and note 3 to the Accountants’ Report in Appendix I in this document.

Significant Accounting Policies

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when or as the control of goods or services is transferred to customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the accounting policy for our principal goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue streams reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Online Game Publishing Business and Other Marketing Business

Revenues from online game publishing business and other marketing businesses are primarily derived from marketing and operating services provided to (i) online game products

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authorized by third-party game developers and publishers or self-owned game, and (ii) online literature products authorized by third-party content providers.

Online game publishing

Most of the online games that we market or operate are under free-to-play basis whereby the players can play the game free of charge or are charged for purchase of virtual items in the game. Such payments are generally non-refundable and non-cancellable. The game products are either (i) authorized by third-party game developers and publishers (“**Authorized Games**”) or (ii) self-owned (“**Self-owned Game**”).

For Authorized Games, while we market and operate an online game product pursuant to a business arrangement under which a third-party game developer or publisher authorizes us to conduct precision marketing and payment channel operation and/or brand development services, we consider the game developer as the customer and regard ourselves as the agent of the game developer in dealing with the end-users of the game product because (i) the game developer is responsible for providing game products, and embracing the right to authorize us to provide services; (ii) the game developer is responsible for the development, upgrade, update and maintenance of the game; (iii) the game developer independently sets the prices of virtual items in the game, and is responsible for the generation, transfer, operation and destruction of virtual items; and (iv) the game developer is responsible for hosting and maintaining the game server.

Pursuant to service agreement between us and the third-party game developer, we charge the game developer a service fee based on a certain percentage of the gross amounts that the end-players pay for the purchase of the virtual items in the game. We recognize the service revenue on a net basis which equals to the gross amounts collected from the end-players less the amounts shared by the game developer when the end-users pay for purchase of the in-game virtual items and when such amounts are determinable.

In certain agreements with the third-party game developer, we are entitled to additional bonus based on the actual marketing performance. Revenue from such additional bonus is recognized when the amount is determined and confirmed by the customers.

In certain agreements where we provide marketing and operation support services to third-party publishers who have obtained the game authorization from game developers, the publishers are responsible for precision marketing and payment channel operation and/or brand development services and we only charge the publishers a service fee based on certain percentage of the gross amounts that the end-users pay for the purchase of the virtual items in the games. We consider the publishers as the customers and regard ourselves as the agent of the publishers in providing marketing and operation services to the game developers. We recognize revenue on a net basis which equals to the amount charged to the publishers.

For Self-owned Game, starting from January 2022, we market and operate self-owned game product. Under such circumstance, as we are solely responsible for the game product development, maintenance, price setting and game server, we consider ourselves as the principal

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of the game product and the end-users as the customers. We are obligated to provide on-going services to the end-players who make payments to gain an enhanced game-playing experience over the playing period, and accordingly we recognized the revenue ratably over the estimated average playing period of these paying end-users (“**Player Relation Period**”), starting from the point in time when the purchase of in-game virtual items is made, and all the other revenue recognition criteria are met. We estimate the Player Relation Period of a game based on historical data statistics of the paying players and re-assess such period semi-annually.

We may market or operate the online game products (including both Authorized Games and Self-owned Game) through self-run model and joint-run model.

Under the self-run model, we conduct marketing and payment channel operation and/or brand development services on our own. We are responsible for identifying, contracting with the payment channels and the collaborating media platforms. Commissions paid to the payment channels are included in cost of sales and the marketing costs paid to the media platforms are included in selling expenses except for the marketing fees calculated based on pay-to-sale which are included in cost of sales.

Under the joint-run model, we involve collaborating distribution channels to serve as both an end-user acquisition channel and our strategic partner to joint-run the authorized game products. A portion of the gross amounts paid by the end-users are withheld directly by the collaborating distribution channels (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution channels. We record the amount withheld by the collaborating distribution channels under the joint-run model as part of the cost of sales.

Other marketing services

We also provide marketing services for the developer of non-gaming applications (mainly literature products). Therefore, we consider the third-party literature content providers as our customer and ourselves as an agent in the arrangement with both the third-party content providers and the online literature readers. We recognize the service revenue on a net basis which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable.

(b) Consumer Product Business

We sell consumer products, mainly containing rice noodle products and other fast consumer foods under the self-own brand “Zha Zha Hui,” to the end customers over third-party online retail platforms such as Douyin (抖音) and to the distributors.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt and acceptance of products.

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(c) Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(d) Dividend income

Dividend income is recognized when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

Fair Value Measurement

We measure our financial assets at FVTPL at fair value at the end of each period of the Track Record Period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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For assets and liabilities that are recognized in the financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each period of the Track Record Period.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Costs incurred to obtain a contract that are not incremental costs are required to be expensed as incurred, unless they are explicitly chargeable to the customer (regardless of whether the contract is obtained). Any capitalized contract costs are amortized, with the expense recognized on a systematic basis that is consistent with the entity’s transfer control of the related goods or services to the customer.

Share-based Payments

We operate a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Employees (including our Directors) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“**equity-settled transactions**”).

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow method, further details of which are given in note 30 to the Accountants’ Report in Appendix I in this document.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to

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be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either we or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years/periods indicated.

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020	2021		2022		2022	2023			
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Revenue	2,872,393	100.0%	5,735,718	100.0%	8,817,221	100.0%	2,846,654	100.0%	2,448,345	100.0%
Cost of sales	(433,029)	(15.1)%	(997,359)	(17.4)%	(2,407,531)	(27.3)%	(738,374)	(25.9)%	(799,741)	(32.7)%
Gross profit	2,439,364	84.9%	4,738,359	82.6%	6,409,690	72.7%	2,108,280	74.1%	1,648,604	67.3%
Other income and gains . . .	130,479	4.5%	120,056	2.1%	292,600	3.3%	87,379	3.1%	396,629	16.2%
Selling and distribution expenses	(1,916,710)	(66.7)%	(3,851,197)	(67.1)%	(5,622,406)	(63.8)%	(1,919,143)	(67.4)%	(1,391,649)	(56.8)%
Administrative expenses . .	(1,349,545)	(47.0)%	(106,779)	(1.9)%	(175,696)	(2.0)%	(44,127)	(1.6)%	(85,796)	(3.5)%
Research and development costs	(472,383)	(16.4)%	(136,948)	(2.4)%	(157,738)	(1.8)%	(47,289)	(1.7)%	(57,686)	(2.4)%
Impairment losses on financial assets, net	5,373	0.2%	864	0.0%	(2,219)	(0.0)%	(911)	0.0%	(1,889)	(0.1)%
Other expenses	(2,237)	(0.1)%	(16,463)	(0.3)%	(8,330)	(0.1)%	(10,255)	(0.4)%	(102,951)	(4.2)%
Finance costs	(51,643)	(1.8)%	(56,032)	(1.0)%	(107,878)	(1.2)%	(28,909)	(1.0)%	(36,503)	(1.5)%
Share of profits and losses of:										
Joint Ventures	(2,359)	(0.1)%	4,217	0.1%	7,430	0.1%	882	0.0%	(484)	0.0%
Associates	(4,184)	(0.1)%	(15,946)	(0.3)%	(33,878)	(0.4)%	(6,806)	(0.2)%	(11,516)	(0.5)%
Profit/(Loss) before tax . .	(1,223,845)	(42.6)%	680,131	11.9%	601,575	6.8%	139,101	4.9%	356,759	14.5%
Income tax expense	(77,258)	(2.7)%	(63,690)	(1.1)%	(110,053)	(1.2)%	(14,518)	(0.5)%	(114,655)	(4.6)%
Profit/(Loss) for the year/ periods	(1,301,103)	(45.3)%	616,441	10.7%	491,522	5.6%	124,583	4.4%	242,104	9.9%
Attributable to:										
Owners of the parent	(1,301,103)	(45.3)%	615,911	10.7%	514,067	5.8%	124,732	4.4%	219,959	9.0%
Non-controlling interests	—	—	530	0.0%	(22,545)	(0.2)%	(149)	0.0%	22,145	0.9%

ADJUSTED PROFIT (NON-HKFRS MEASURE)

To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use the adjusted profit (Non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRS measure facilitates comparisons of operating performance from period to period and provides useful information to investors and others to understand and evaluate our consolidated results of operations in the same manner as our management by eliminating potential impacts of items.

We also believe that the non-HKFRS measure are appropriate for evaluating our operating performance. The use of this non-HKFRS measure has limitations as an analytical tool, and you

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should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, this non-HKFRS measure may not be comparable to similar measures presented by other companies.

We define the adjusted profit (Non-HKFRS measure) as the profit/(loss) for the year/period, excluding share-based compensation and [REDACTED] expenses. Share-based compensations are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made during the Track Record Period. In addition, we exclude [REDACTED] expenses, as this item, which arises from activities relating to the [REDACTED].

The following table sets forth the reconciliations of our non-HKFRS measures for the years/periods indicated with the nearest measured prepared in accordance with HKFRS:

	For the Year Ended December 31,			For the Four Months Ended April 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
Reconciliation of profit/(loss) to adjusted profit (Non-HKFRS measure)					
Profit/(Loss) for the year/period	(1,301,103)	616,441	491,522	124,583	242,104
Add:					
Share-based compensation	1,816,114	—	42,883	—	70,599
[REDACTED] expenses	—	11,148	25,679	6,799	17,486
Adjusted profit (Non-HKFRS measure)					
.....	<u>515,011</u>	<u>627,589</u>	<u>560,084</u>	<u>131,382</u>	<u>330,189</u>

Revenue

Our revenue is generated primarily from (i) marketing and operating online games developed by game developers and marketing online literature products developed by content creators; and (ii) our consumer product business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui.”

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For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our revenue amounted to RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7 million and RMB2,448.3 million, respectively. The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the years/periods indicated:

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
Online Game Publishing Business and Other Marketing Business										
Game products operated under the										
self-run model	2,418,164	84.2%	4,695,963	81.9%	6,179,622	70.1%	2,040,680	71.7%	1,517,627	62.0%
— Collaboration with game developers	2,162,567	75.3%	4,597,273	80.2%	5,563,803	63.1%	1,831,877	64.4%	1,362,975	55.7%
— Collaboration with game publishers ⁽¹⁾	255,597	8.9%	98,690	1.7%	85,586	1.0%	29,001	1.0%	28,011	1.1%
— Self-owned game	—	—	—	—	530,233	6.0%	179,802	6.3%	126,641	5.2%
Game products operated under the										
joint-run model ⁽²⁾	453,343	15.8%	977,156	17.0%	2,383,819	27.0%	753,932	26.5%	814,826	33.3%
— Collaboration with game developers	453,343	15.8%	977,156	17.0%	1,768,457	20.1%	494,826	17.4%	674,377	27.5%
— Self-owned game	—	—	—	—	615,362	7.0%	259,106	9.1%	140,449	5.7%
Others ⁽³⁾	886	0.0%	32,271	0.6%	38,022	0.4%	16,502	0.6%	34,074	1.4%
<i>Subtotal</i>	<i>2,872,393</i>	<i>100.0%</i>	<i>5,705,390</i>	<i>99.5%</i>	<i>8,601,463</i>	<i>97.6%</i>	<i>2,811,114</i>	<i>98.8%</i>	<i>2,366,527</i>	<i>96.7%</i>
Consumer Product Business⁽⁴⁾	—	—	30,328	0.5%	215,758	2.4%	35,540	1.2%	81,818	3.3%
Total	2,872,393	100.0%	5,735,718	100.0%	8,817,221	100.0%	2,846,654	100.0%	2,448,345	100.0%

Notes:

- (1) We provided marketing and operation support services to third-party game publishers for which we charge a service fee. Such marketing and operation support services were provided in connection with Heroes of Mafa (瑪法英雄), Legend of Guyun (古雲傳奇), Prosperous World (盛世遮天), Legend of Lanyue (藍月傳奇), Huaxia Journey (華夏征途) and Battle Hymn of Dragon City (龍城戰歌), among other game products. Some of these game products were licensed to multiple game publishers on a non-exclusive basis. For example, with respect to Legend of Guyun (古雲傳奇), Prosperous World (盛世遮天), Legend of Lanyue (藍月傳奇) and Huaxia Journey (華夏征途), we were both (i) a game publisher authorized directly by the respective game developers to market and operate these games, and (ii) a provider of marketing and operation support services to Zhejiang Zhengyou, who was also a publisher of the games. See also “Business — Our Business Model — How Our Business Generates Revenue.”
- (2) During the Track Record Period, all third-party game products operated under the joint-run model were licensed from game developers.
- (3) Primarily including revenue generated from marketing online literature products.
- (4) Consumer product business primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui.”

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Online Game Publishing Business and Other Marketing Business

Revenue from online game publishing business under the self-run model and joint-run model

Substantially all of our revenue from the online game publishing business and other marketing business during the Track Record Period was generated from marketing and operating game products. We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game product we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. See “Business — Our Online Game Publishing Business and Other Marketing Business — Our Operation Models of Our Online Game Publishing Business” for more details of these two models. During the Track Record Period, the substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%, 82.8%, 72.2%, 73.0% and 65.1% of our revenue from our online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

In addition, the table below sets forth the revenue contributed by the five signature game products and its percentage of our total revenue during the Track Record Period.

	For the Year Ended December 31,					For the Four Months Ended April 30,				
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentages)</i>									
Game B	387,506	13.5%	1,047,619	18.3%	1,108,299	12.6%	365,161.2	12.8%	386,313.3	15.8%
Game A	1,480,019	51.5%	1,370,291	23.9%	1,145,595	13.0%	438,908.2	15.4%	267,090.4	10.9%
Game F	—	—	1,243,747	21.7%	640,526	7.3%	292,688.1	10.3%	148,436.3	6.1%
Game J	—	—	37,570	0.7%	1,309,111	14.8%	685,613.5	24.1%	59,836.1	2.4%
Game I	—	—	—	—	1,547,626	17.6%	12,213.6	0.4%	343,110.8	14.0%

The table below sets forth the revenue contributed by the new games launched and new clients acquired in each period, both in absolute amounts and as percentages of the revenue generated from our online game publishing business for the respective period, during the Track Record Period.

	For the Year Ended December 31,					For the Four Months Ended April 30,				
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentages)</i>									
New games launched in the year/ period	579,011	20.2%	1,679,189	29.6%	2,146,433	25.1%	123,181	4.4%	89,069	3.8%
New clients acquired in the year/ period	176,795	6.2%	169,843	3.0%	1,687,587	19.7%	471,771	16.9%	232,649	10.0%

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In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, revenue contributed by new games launched in the respective period was RMB579.0 million, RMB1,679.2 million, RMB2,146.4 million, RMB123.2 million and RMB89.1 million, respectively. The increase from 2020 to 2021 was primarily due to the launch of Blooded Attack (熱血合擊). The increase from 2021 to 2022 was primarily due to the launch of Blade of Freedom (自由之刃).

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, revenue contributed by new clients acquired in the respective period was RMB176.8 million, RMB169.8 million, RMB1,687.6 million, RMB471.8 million and RMB232.6 million, respectively. The significant amount in 2022 was primarily because we obtained licenses to operate Blade of Freedom (自由之刃) in 2022.

Revenue from other marketing business

During the Track Record Period, revenue from other marketing business primarily came from marketing online literature products.

We recorded revenue from other marketing business of RMB0.9 million, RMB32.3 million, RMB38.0 million, RMB16.5 million and RMB34.1 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

Consumer Product Business

During the Track Record Period, revenue from our consumer product business was primarily generated from sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui.” Revenue from sales of pop toys under Bro Kooli accounted for an insignificant portion of the revenue from consumer product business during the Track Record Period.

We recorded revenue from consumer product business of nil, RMB30.3 million, RMB215.8 million, RMB35.5 million and RMB81.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

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Cost of Sales

The table below sets forth a breakdown of our cost of sales by nature for the years/periods indicated:

	For the Year Ended December 31,			For the Four Months Ended April 30,						
	2020	2021	2022	2022	2023					
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Commissions to third-party										
distribution channels	321,017	74.1%	723,808	72.6%	1,937,855	80.5%	592,208	80.2%	634,117	79.3%
Commissions to third-party										
payment channels	43,991	10.2%	128,915	12.9%	150,259	6.2%	51,033	6.9%	44,721	5.6%
Employee salaries	31,631	7.3%	63,413	6.4%	77,334	3.2%	24,159	3.3%	22,542	2.8%
Share-based compensation	—	—	—	—	3,834	0.2%	0	0.0%	6,312	0.8%
Traffic acquisition fees	28,292	6.5%	20,939	2.1%	22,457	0.9%	6,164	0.8%	14,849	1.9%
Costs of goods in connection										
with consumer product										
business	—	—	16,670	1.7%	124,804	5.2%	18,942	2.6%	49,409	6.2%
Others	8,098	1.9%	43,614	4.4%	90,988	3.8%	45,868	6.2%	27,791	3.4%
Total	<u>433,029</u>	<u>100.0%</u>	<u>997,359</u>	<u>100.0%</u>	<u>2,407,531</u>	<u>100.0%</u>	<u>738,374</u>	<u>100.0%</u>	<u>799,741</u>	<u>100.0%</u>

Our cost of sales primarily consists of (i) commissions to collaborating distribution channels under the joint-run model, primarily including third-party application stores and game co-publishers; (ii) commissions to third-party payment channels; (iii) employee salaries associated with our system maintenance and customer service personnel that are directly involved in revenue generation; (iv) share-based compensation; (v) traffic acquisition fees to collaborating online media platforms directly associated with revenue generation; (vi) cost of goods, representing the cost of procuring rice noodle products under the brand “Zha Zha Hui”; and (vii) others, primarily including bandwidth and servers custody fees, depreciation and amortization expenses.

Our third-party distribution channels primarily include third-party application stores and game co-publishers. The third-party application stores obtain the traffic easily once the game products are launched on these stores, resulting in the portion of the gross billings withheld by these mobile application stores being relatively low. In addition to launching our game products on the mobile application stores, we also commission certain game co-publishers to market and promote our game products. These game co-publishers need to carry out more marketing and promotion activities to attain end-user acquisition, resulting in the portion of the gross amounts paid by the end-users withheld directly by the game co-publishers being relatively high.

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The following table summarizes the breakdown of commissions by third-party distribution channels for the years/periods indicated.

Types of third-party distribution channels	For the Year Ended December 31,						For the Four Months Ended April 30,				Portion of gross billings (%)
	2020		2021		2022		2022		2023		
	Commissions	%	Commission	%	Commission	%	Commission	%	Commission	%	
<i>(RMB in thousands, except for percentage)</i>											
<i>(Unaudited)</i>											
Third-party application stores	210,250	65.5%	511,781	70.7%	667,171	34.4%	221,596	37.4%	231,458	36.5%	50-55%
Game co-publisher	110,768	34.5%	212,027	29.3%	1,270,684	65.6%	370,612	62.6%	402,659	63.5%	70-92%
Total	321,017	100.0%	723,808	100.0%	1,937,855	100.0%	592,207	100%	634,117	100%	—

Our commissions to third-party distribution channels increased by RMB402.8 million from 2020 to 2021, primarily because (i) the gross billings from end users under the joint-run model increased significantly in 2021; and (ii) certain game co-publisher generated large amounts of gross billings for Legend of Origin, while the portion of gross billings directly withheld by such game co-publisher was relatively high.

Our commissions to third-party distribution channels increased by RMB1,214.0 million from 2021 to 2022, primarily because (i) the gross billings from end users under the joint-run model increased significantly in 2022; (ii) both the gross billings of the Legend of Guyun generated through the third-party distribution channels and the rate of commissions they charged are relatively high, as we have become the developer of Legend of Guyun since 2022 and the game has entered into the maturity stage, resulting in a relatively higher commission; and (iii) we cooperated with more game co-publishers in 2022 to utilize their own user bases, marketing resources and technology platforms for expanding the end-users base, which usually charges a higher portion of gross billings since they need to carry out more marketing and promotion activities to attain end-user acquisition.

Our commissions to third-party distribution channels increased by RMB41.9 million from the four months ended April 30, 2022 to the four months ended April 30, 2023, primarily because the gross billings from end users under the joint-run model increased significantly for the four months ended April 30, 2023 compared to the same period in 2022.

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In addition, the table below sets forth a breakdown of our cost of sales by business line for the years/periods indicated:

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Online Game Publishing Business and Other Marketing Business										
Game products operated under the self-run model	105,730	24.4%	237,480	23.9%	283,102	11.7%	99,288	13.5%	92,734	11.4%
Game products operated under the joint-run model	327,287	75.6%	742,041	74.4%	1,995,912	82.9%	619,384	83.9%	655,604	82.0%
Others	12	0.0%	602	0.0%	556	0.1%	241	0.0%	586	0.2%
<i>Subtotal</i>	433,029	100.0%	980,123	98.3%	2,279,570	94.7%	718,913	97.4%	748,924	93.6%
Consumer Product Business	—	—	17,236	1.7%	127,961	5.3%	19,461	2.6%	50,817	6.4%
Total	433,029	100.0%	997,359	100.0%	2,407,531	100.0%	738,374	100%	799,741	100%

The cost of sales for game products operated under the self-run model primarily consists of (i) commissions to third-party payment channels; (ii) traffic acquisition fees; and (iii) others, primarily representing the bandwidth and servers custody fees in connection with our technology platforms, and employee salaries and share-based compensation incurred under this model. The cost of sales for game products operated under the joint-run model primarily consists of (i) commissions to collaborating distribution channels; and (ii) others, primarily representing the bandwidth and servers custody fees in connection with our technology platforms, and employee salaries and share-based compensation incurred under this model. The cost of sales for our consumer product business primarily consists of cost of goods, representing the cost of producing rice noodle products under the brand “Zha Zha Hui.”

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Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business line for the years/periods indicated:

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Online Game										
Publishing Business and Other										
Marketing Business										
Game products operated under the self-run model	2,312,434	95.6%	4,458,483	94.9%	5,896,520	95.4%	1,941,392	95.1%	1,424,893	93.9%
Game products operated under the joint-run model	126,056	27.8%	235,115	24.1%	387,907	16.3%	134,548	17.8%	159,222	19.5%
Others	874	98.6%	31,669	98.1%	37,466	98.5%	16,261	98.5%	33,488	98.3%
<i>Subtotal</i>	2,439,364	84.9%	4,725,267	82.8%	6,321,893	73.5%	2,092,201	74.4%	1,617,603	68.4%
Consumer Product										
Business	—	—	13,092	43.2%	87,797	40.7%	16,079	45.2%	31,001	37.9%
Total	2,439,364	84.9%	4,738,359	82.6%	6,409,690	72.7%	2,108,280	74.1%	1,648,604	67.3%

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our gross profit was RMB2,439.4 million, RMB4,738.4 million, RMB6,409.7 million, RMB2,108.3 million and RMB1,648.6 million, respectively. The increase of our gross profit from 2020 to 2022 was primarily due to the continuous operation of game products. The decrease of our gross profit from RMB2,108.3 million for the four months ended April 30, 2022 to RMB1,648.6 million for the four months ended April 30, 2023 primarily reflected a decrease in revenue we generated from the online game publishing business and other marketing business under the self-run model, mainly because certain game products entered into a later stage of their lifecycle. For our online game publishing business and other marketing business, the gross profit for game products operated under the self-run model was RMB2,312.4 million, RMB4,458.5 million, RMB5,896.5 million, RMB1,941.4 million and RMB1,424.9 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit for game products operated under the joint-run model was RMB126.1 million, RMB235.1 million, RMB387.9 million, RMB134.5 million and RMB159.2 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. The gross profit for our consumer product business was RMB13.1 million, RMB87.8 million, RMB16.1 million and RMB31.0 million in 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

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In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our gross profit margin was 84.9%, 82.6%, 72.7%, 74.1% and 67.3%, respectively. The decrease of our overall gross profit margin during the Track Record Period was primarily due to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue. For our online game publishing business and other marketing business, the gross profit margin for game products operated under the self-run model remained relatively stable at 95.6%, 94.9%, 95.4%, 95.1% and 93.9% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit margin for game products operated under the joint-run model was 27.8%, 24.1%, 16.3%, 17.8% and 19.5% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. The decrease of the gross profit margin for game products operated under the joint-run model during the Track Record Period was primarily attributable to an increase in the portion of gross billings withheld by collaborating distribution channels. The decrease in gross profit margins for game products operated under the joint-run model from 2020 to 2021 was primarily because certain co-publisher successfully generated large amounts of gross billings for Legend of Origin, while the portion of gross billings withheld by certain game co-publisher of Legend of Origin was relatively high. The decrease in gross profit margins for game products operated under the joint-run model from 2021 to 2022 was primarily because (i) as we have become the developer of Legend of Guyun since 2022 and the game has entered the maturity stage, both the gross billings of the Legend of Guyun generated through the third party distribution channels and the rate of commissions they charged are relatively high, resulting in a higher commission; and (ii) we cooperated with more game co-publishers to utilize their own user bases, marketing resources and technology platforms for expanding the end-users base, which usually charges a higher portion of gross billings since they need to carry out more marketing and promotion activities to attain end-user acquisition. The gross profit margins for game products operated under the joint-run model remained relatively stable for the four months ended April 30, 2023 compared to that for the four months ended April 30, 2022. The gross profit margin for our consumer product business was 43.2%, 40.7%, 45.2% and 37.9% in 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. The decrease of the gross profit margin for our consumer product business from 45.2% for the four months ended April 30, 2022 to 37.9% for the four months ended April 30, 2023 was primarily a result of the increase of procurement costs for our rice noodle products in the first four months of 2023.

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The following table summarizes the five largest third-party distribution channels for each year/period of the Track Record Period.

<u>Third-party distribution channels</u>	<u>Commissions to third-party distribution channels (RMB'000)</u>	<u>Percentage of total cost of sales under joint-run model (%)</u>	<u>Typical portion of gross billings (%)</u>	<u>Game products involved</u>	<u>Nature of third-party distribution channels</u>
<i>For the year ended December 31, 2020</i>					
Channel A	116,637	36.3%	50%	Legend of Origin, Dragon World	Third-party application stores
Channel B	31,531	9.8%	55%	Legend of King, Legend of Origin	Third-party application stores
Channel C	25,462	7.9%	50%	Legend of Origin, Dragon World	Third-party application stores
Channel D	25,171	7.8%	50%	Dragon World, Legend of Origin	Third-party application stores
Channel E	18,172	5.7%	70%	Legend of Origin	Game co-publisher
<i>For the year ended December 31, 2021</i>					
Channel A	306,387	42.3%	50%	Legend of Origin, Blooded Attack, Dragon World	Third-party application stores
Channel E	79,930	11.0%	70%	Legend of Origin	Game co-publisher
Channel B	71,868	9.9%	55%	Legendary Overlord, Legend of Origin, Blooded Attack, Legend of King	Third-party application stores
Channel C	58,205	8.0%	50%	Legend of Origin, Blooded Attack, Dragon World	Third-party application stores
Channel D	36,554	5.1%	50%	Legend of Origin, Blooded Attack, Dragon World	Third-party application stores

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<u>Third-party distribution channels</u>	<u>Commissions to third-party distribution channels (RMB'000)</u>	<u>Percentage of total cost of sales under joint-run model (%)</u>	<u>Typical portion of gross billings (%)</u>	<u>Game products involved</u>	<u>Nature of third-party distribution channels</u>
<i>For the year ended December 31, 2022</i>					
Channel A	304,869	15.7%	50%	Legend of Origin, Blooded Attack, Dragon World, Demon Slayer	Third-party application stores
Channel B	193,071	10.0%	55%	Legend of Origin, Legendary Overlord, King City Brawl, Blooded Attack	Third-party application stores
Channel F	154,913	8.0%	78%	Blade of Freedom, Legend of National War, Legend of Guyun	Game co-publisher
Channel G	154,234	8.0%	79%	Blade of Freedom, Blooded Attack	Game co-publisher
Channel H	146,082	7.5%	92%	Legend of National War	Game co-publisher
<i>For the four months ended April 30, 2023</i>					
Channel B	131,510	20.7%	55%	Legend of Origin, Blade of Freedom	Third-party application stores
Channel G	70,782	11.2%	83%	Blade of Freedom, Blooded Attack	Game co-publisher
Channel A	67,772	10.7%	50%	Legend of Origin, Blooded Attack, Dragon World	Third-party application stores
Channel F	56,761	9.0%	83%	Blade of Freedom, Legend of Guyun	Game co-publisher
Channel H	40,649	6.4%	81%	Legend of National War, Blade of Freedom	Game co-publisher

During the Track Record Period, revenue from other marketing business primarily came from marketing online literature products. The gross profit for marketing online literature products was 98.6%, 98.1%, 98.5%, 98.5% and 98.3% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. The revenue model of other marketing business line contributed to high gross profit margin during the Track Record Period. Under this business model for marketing online literature products, we recognize the service revenue on a net basis

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which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable. Moreover, the cost of sales for marketing online literature products was relatively low, which primarily consisted of employee salaries, and marketing and promotion expenses was included in selling and distribution expenses.

Other Income and Gains

Our other income and gains primarily consist of (i) fair value gain on financial assets at FVTPL, primarily including our investments in wealth management products, listed equity investments and fund investments; (ii) investment income from financial assets at FVTPL; (iii) VAT additional deduction and refunds, and government grants; (iv) bank interest income from bank deposits; (v) gain on disposal of property and equipment; (vi) foreign exchange gain; (vii) gain on disposal of subsidiaries; and (viii) others. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we recorded other income and gains of RMB130.5 million, RMB120.1 million, RMB292.6 million, RMB87.4 million and RMB396.6 million, respectively.

Our investments in wealth management products amounted to RMB680.3 million as of April 30, 2023, with maturity typically less than one year. Wealth management products are issued or sold by major commercial banks with comparatively low risks. The underlying assets of the wealth management products primarily include monetary instruments, bonds, and other fixed income products and short-term financial instruments with low risks and good liquidity. All principles and interests of the wealth management products we purchased were recoverable in time during the Track Record Period. As of the Latest Practicable Date, all outstanding balance of the wealth management products we purchased as of April 30, 2023 has been recovered or can be redeemed on or shortly after the maturity date during the business hours of the issuing banks with the expected investment income. The terms of our wealth management products generally do not exceed one year. As part of our investment strategy, we will continue to use our cash surplus to purchase low-risk wealth management products.

Our investments in listed equity amounted to RMB597.6 million as of April 30, 2023, mainly including our investments in various companies listed on the Stock Exchange. We also invested in certain private equity funds and monetary funds during the Track Record Period, which had been fully redeemed as of April 30, 2023. We do not intend to make new investments in funds in the foreseeable future. See also “Risk Factors — Risks Relating to Our Financial Performance — Our financial assets at fair value through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of these assets and liabilities would affect our financial results.”

To monitor and control the investment risks associated with our financial assets at FVTPL portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in financial assets at FVTPL. Our finance department is responsible for proposing, analyzing and evaluating potential investment in wealth management products and other financial assets based on recommendations of our account managers at reputable banks in China, and the General Manager’s Office is responsible for the approval of such proposals. Senior

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members of our General Manager office has over five years of experience in asset management. Our finance department is responsible for formulating annual investment guidelines, which are approved by our Board of Directors and set out specific criteria with respect to issuing banks, underlying assets, maturity and interest rate for the investment in wealth management products. We conduct bi-weekly internal forecasts to estimate our cash flows in the four weeks that immediately follow, which we take into account when determining the appropriate amount of investment we make. Investment proposals meeting the annual investment guidelines are subject to approval. For example, for wealth management products over RMB5.0 million, the proposal shall be approved by our acting finance head and the General Manager’s office. Investment proposals beyond the scope of the annual investment guidelines shall be further approved by the Board of Directors. Our investment strategy related to financial products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities or disposals of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our shareholders. We make investment decisions related to wealth management products and other financial assets on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, listed companies or other relevant financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment. See also “Business – Risk Management and Internal Control – Investment policies and risk management” for details.

After [REDACTED], we intend to continue our investments in the financial assets at FVTPL strictly in accordance with our internal policies and measures and the requirements under Chapter 14 of the Listing Rules.

The fair values of wealth management products and fund investments were recognized based on the observable inputs of valuation models from the private equity funds and were within level 2 of the fair value hierarchy. The fair values of investment in listed companies were recognized at quoted price in active markets.

There were no unfulfilled conditions or contingencies relating to these government grants at the end of each period during the Track Record Period.

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The following table sets forth a breakdown of our other income and gains for the years/ periods indicated:

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Fair value gain on financial assets at										
FVTPL	6,294	4.8%	971	0.8%	12,467	4.3%	27,803	31.8%	—	—
Investment income from financial										
assets at FVTPL	59,175	45.4%	—	—	29,796	10.2%	—	—	327,004	82.5%
VAT additional deduction and										
refunds	22,978	17.6%	22,714	18.9%	52,294	17.9%	18,630	21.3%	9,540	2.4%
Government grants	6,554	5.0%	1,132	0.9%	2,759	0.9%	175	0.2%	914	0.2%
Bank interest income	34,108	26.1%	94,394	78.6%	189,125	64.6%	38,276	43.8%	54,728	13.8%
Gain on disposal of property and										
equipment	8	0.0%	—	—	2,708	0.9%	199	0.2%	3,908	1.0%
Foreign exchange differences, net	511	0.4%	219	0.2%	1,224	0.4%	1,562	1.8%	—	—
Gain on disposal of a subsidiary	—	—	4	0.0%	621	0.2%	—	—	—	—
Others	851	0.7%	622	0.5%	1,606	0.6%	734	0.8%	535	0.1%
Total	130,479	100.0%	120,056	100.0%	292,600	100.0%	87,379	100.0%	396,629	100.0%

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) marketing and promotion expenses, which mainly represent online traffic acquisition fees to collaborating online media platforms, offline marketing expenses and celebrity endorsement fees. Our collaborating media platforms typically charge us under a cost per mille (CPM) pricing model, where we pay a price for every 1,000 impressions of an advertisement ; (ii) employee salaries associated with our sales and marketing personnel; (iii) share-based compensation associated with our sales and marketing personnel; and (iv) others, primarily including office expenses, property and utility expenses, and depreciation and amortization expenses in connection with our selling and distribution activities.

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we incurred selling and distribution expenses of RMB1,916.7 million, RMB3,851.2 million, RMB5,622.4 million, RMB1,919.1 million and RMB1,391.6 million, representing 66.7%, 67.1%, 63.8%, 67.4% and 56.8% of our revenue for the same periods, respectively. Our selling and distribution expenses increased from 2020 to 2022, primarily due to an increase in marketing and promotion expenses as a result of our increased efforts to market online games, online literature and consumer products through collaborating media platforms. Our selling and distribution expenses decreased from RMB1,919.1 million for the four months ended April 30, 2022 to RMB1,391.6 million for the four months ended April 30, 2023, primarily due to the decrease of marketing and promotion expenses as certain game products entered into a later stage of their lifecycle, and therefore did not require significant marketing and promotion resources.

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The following table sets forth a breakdown of our selling and distribution expenses for the years/periods indicated:

	For the Year Ended December 31,			For the Four Months Ended		
	April 30,			April 30,		
	2020	2021	2022	2022	2023	
	<i>(RMB in thousands, except for percentages)</i>					
	<i>(Unaudited)</i>					
Marketing and promotion						
expenses	1,643,426	85.7% 3,739,292	97.1% 5,440,279	96.8% 1,866,254	97.2% 1,322,299	95.0%
Employee salaries	36,279	1.9% 99,293	2.6% 148,035	2.6% 46,763	2.4% 39,429	2.8%
Share-based compensation	232,767	12.1% —	— 14,100	0.3% —	— 23,975	1.7%
Others	4,238	0.3% 12,612	0.3% 19,992	0.4% 6,126	0.3% 5,946	0.4%
Total	<u>1,916,710</u>	<u>100.0%</u> <u>3,851,197</u>	<u>100.0%</u> <u>5,622,406</u>	<u>100.0%</u> <u>1,919,143</u>	<u>100.0%</u> <u>1,391,649</u>	<u>100.0%</u>

Administrative Expenses

Our administrative expenses primarily consist of (i) employee salaries associated with our administrative personnel, including legal and finance personnel, human resource specialists and employees for general corporate functions; (ii) share-based compensation associated with our administrative personnel; (iii) travel and business development expenses with our administrative personnel; (iv) depreciation and amortization expenses in relation to the leased offices and office equipment; (v) [REDACTED] expenses; (vi) office and utility expenses to support our general administrative functions; (vii) tax; (viii) professional service expenses; (ix) bank transaction charges and (x) others.

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we incurred administrative expenses of RMB1,349.5 million, RMB106.8 million, RMB175.7 million, RMB44.1 million and RMB85.8 million, representing 47.0%, 1.9%, 2.0%, 1.6% and 3.5% of our revenue for the same periods, respectively. Our administrative expenses decreased from 2020 to 2021, primarily due to a significant increase in share-based compensation we incurred in 2020 associated with our administrative personnel, which was one-off in nature. We did not record any share-based compensation in 2021. Our administrative expenses increased from 2021 to 2022, primarily due to (i) an increase in share-based compensation we incurred in 2022 associated with our administrative personnel; (ii) an increase in [REDACTED] expenses; and (iii) an increase in employee salaries as we increased the headcount of our administrative personnel, which was in line with our business growth. Our administrative expenses increased from the four months ended April 30, 2022 to the four months ended April 30, 2023, primarily due to (i) an increase in share-based compensation resulting from the new options granted pursuant to the Pre-[REDACTED] Share Option Plan; and (ii) an increase in [REDACTED] expenses incurred in relation to the [REDACTED].

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The following table sets forth a breakdown of our administrative expenses for the years/ periods indicated:

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Employee salaries	27,103	2.0%	51,969	48.7%	64,295	36.6%	20,730	47.0%	16,463	19.2%
Share-based compensation	1,295,848	96.0%	—	—	16,810	9.6%	—	—	27,675	32.3%
Travel and business development expense	8,974	0.7%	13,531	12.7%	21,215	12.1%	4,277	9.7%	9,332	10.9%
Depreciation and amortization	5,649	0.4%	6,868	6.4%	13,334	7.6%	4,309	9.8%	6,910	8.0%
[REDACTED] expenses	—	—	11,148	10.4%	25,679	14.6%	6,799	15.4%	17,486	20.4%
Office and utility expenses	4,376	0.3%	8,912	8.3%	11,251	6.4%	3,101	6.9%	2,712	3.1%
Tax	2,114	0.2%	2,972	2.8%	6,083	3.5%	1,172	2.7%	1,443	1.7%
Professional service expenses	4,434	0.3%	7,790	7.3%	8,341	4.7%	2,195	5.0%	2,139	2.5%
Bank transaction charges	833	0.1%	2,467	2.3%	7,257	4.1%	1,260	2.9%	1,160	1.4%
Others	214	0.0%	1,122	1.1%	1,431	0.8%	284	0.6%	476	0.5%
Total	<u>1,349,545</u>	<u>100.0%</u>	<u>1,06,779</u>	<u>100.0%</u>	<u>175,696</u>	<u>100.0%</u>	<u>44,127</u>	<u>100.0%</u>	<u>85,796</u>	<u>100.0%</u>

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Research and Development Costs

Our research and development costs primarily consist of (i) employee salaries associated with our research and development personnel; (ii) share-based compensation associated with our research and development personnel; (iii) technology development fees, primarily related to the commissioned development of software and other technology systems to support the online game and online literature products we market and operate for our clients, and server custody fees; (iv) depreciation and amortization expenses, mainly in relation to depreciation of certain right-of-use assets; and (v) others, primarily including office and utility expenses in connection with our research and development activities. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we incurred research and development costs of RMB472.4 million, RMB136.9 million, RMB157.7 million, RMB47.3 million and RMB57.7 million, respectively. The following table sets forth a breakdown of our research and development costs for the years/periods indicated:

	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Employee salaries	23,995	5.1%	89,218	65.1%	105,893	67.1%	31,799	67.2%	30,833	53.4%
Share-based compensation	287,499	60.9%	—	—	8,140	5.2%	—	—	13,400	23.2%
Technology development expenses	154,316	32.7%	39,232	28.6%	32,814	20.8%	11,502	24.3%	10,370	18.0%
Depreciation and amortization	5,388	1.1%	5,826	4.3%	7,455	4.7%	2,668	5.6%	2,277	3.9%
Others	1,185	0.2%	2,672	2.0%	3,436	2.2%	1,320	2.9%	806	1.5%
Total	<u>472,383</u>	<u>100.0%</u>	<u>136,948</u>	<u>100.0%</u>	<u>157,738</u>	<u>100.0%</u>	<u>47,289</u>	<u>100.0%</u>	<u>57,686</u>	<u>100.0%</u>

Impairment Losses on Financial Assets

In 2020 and 2021, we recorded a reversal of impairment losses on financial assets of RMB5.4 million and RMB0.9 million. In 2022, and the four months ended April 30, 2022 and 2023, we recorded net impairment losses on financial assets of RMB2.2 million, RMB0.9 million and RMB1.9 million, respectively. The fluctuations in connection with this item are mainly due to changes in the allowance for impairment we recorded based on the expected credit loss over our trade receivables and other receivables.

Other Expenses

Our other expenses primarily consist of (i) impairment losses on assets, primarily representing write-off of investments in joint ventures and associates; (ii) investment loss on financial assets at FVTPL; (iii) donation expense; (iv) provisions made for litigations; (v) foreign exchange losses; and (vi) others, such as loss on disposal of property and equipment. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our other expenses were

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RMB2.2 million, RMB16.5 million, RMB8.3 million, RMB10.3 million and RMB103.0 million, respectively. The following table sets forth a breakdown of our other expenses for the years/periods indicated:

	For the Year Ended December 31,						For the Four Months Ended			
							April 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Impairment loss on assets	—	—	—	—	5,479	65.8%	8,923	87.0%	—	—
Investment loss on financial assets at										
FVTPL	—	—	2,628	16.0%	—	—	—	—	99,209	96.4%
Donation expenses	1,841	82.3%	2,145	13.0%	2,766	33.2%	1,322	12.9%	2,344	2.3%
Provisions made for litigations	395	17.6%	11,559	70.2%	30	0.4%	1	0.0%	29	0.0%
Foreign exchange losses	—	—	—	—	—	—	—	—	701	0.7%
Others	1	0.1%	131	0.8%	55	0.6%	9	0.1%	668	0.6%
Total	<u>2,237</u>	<u>100.0%</u>	<u>16,463</u>	<u>100.0%</u>	<u>8,330</u>	<u>100.0%</u>	<u>10,255</u>	<u>100.0%</u>	<u>102,951</u>	<u>100.0%</u>

Provisions made for litigations are primarily related to pending litigations with regards to game products operated by us. We accrued provisions according to the verdict of the instance. Provisions made for litigations increased significantly in 2021 primarily due to the trial courts’ decisions made in 2021 on certain litigations involving several game products operated by us, including Legend of Guyun (古雲傳奇), Prosperous World (盛世遮天) and Legend of Lanyue (藍月傳奇). See “Business — Legal Proceedings and Compliance — Legal Proceedings” for details.

Finance Costs

Our finance costs primarily consist of (i) finance costs on bills payables, (ii) interest on bank borrowings and (iii) interest expenses on lease liabilities. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we recorded finance costs of RMB51.6 million, RMB56.0 million, RMB107.9 million, RMB28.9 million and RMB36.5 million, respectively. The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	For the Year Ended December 31,						For the Four Months Ended			
							April 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Finance costs on bills payables	45,430	88.0%	47,946	85.6%	89,893	83.3%	24,869	86.0%	31,628	86.6%
Interest on bank borrowings	—	—	9	0.0%	7,969	7.4%	717	2.5%	1,828	5.0%
Interest on lease liabilities	6,213	12.0%	8,077	14.4%	10,016	9.3%	3,323	11.5%	3,047	8.3%
Total interest expense on financial										
liabilities not at fair value	<u>51,643</u>	<u>100.0%</u>	<u>56,032</u>	<u>100.0%</u>	<u>107,878</u>	<u>100.0%</u>	<u>28,909</u>	<u>100.0%</u>	<u>36,503</u>	<u>100.0%</u>

Share of Profits and Losses of Joint Ventures

We recorded a loss of RMB2.4 million in 2020, a gain of RMB4.2 million in 2021, a gain of RMB7.4 million in 2022 and a gain of RMB0.9 million and a loss of RMB0.5 million for the

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four months ended April 30, 2022 and 2023, respectively, as our share of profits and losses of joint ventures. Our share of profits and losses of joint ventures primarily relate to our beneficial interest in Zhejiang Xuwan Technology Co., Ltd. (“**Zhejiang Xuwan**”) (浙江旭玩科技有限公司), a PRC company primarily engaged in the business of online game development, Guangzhou Zeda New Cultural and Creative Industry Development Co., Ltd. (“**Guangzhou Zeda**”) (廣州市澤達新文創產業發展有限公司), a PRC company primarily engaged in interactive entertainment product marketing business, and Guangzhou Ziyun Cloud Computing Co., Ltd. (“**Guangzhou Ziyun**”) (廣州紫云云計算有限公司), a PRC company primarily engaged in cloud computing technology development business. We own 40%, 26% and 20% of the beneficial interest in Zhejiang Xuwan, Guangzhou Zeda and Guangzhou Ziyun, respectively. We use the equity method to account for our interest in each of these joint ventures based on their respective financial information.

Share of Profits and Losses of Associates

We recorded a loss of RMB4.2 million in 2020, a loss of RMB15.9 million in 2021, a loss of RMB33.9 million in 2022 and a loss of RMB6.8 million and a loss of RMB11.5 million for the four months ended April 30, 2022 and 2023, respectively, as our share of profits and losses of associates. Our share of profits and losses of associates primarily relate to our beneficial interest in Fuzhou Zizai Interactive Entertainment Network Technology Co., Ltd. (“**Fuzhou Zizai**”) (福州自在互娛網絡科技有限公司), a PRC company primarily engaged in the business of digital technology development, and Hangzhou Shengxu Miracle Network Technology Co., Ltd. (“**Hangzhou Shengxu**”) (杭州盛旭奇蹟網絡科技有限公司), a PRC company primarily engaged in the business of digital technology development. We own 28% and 49% of the beneficial interest in Fuzhou Zizai and Hangzhou Shengxu, respectively. As we are able to exercise significant influence on Fuzhou Zizai and Hangzhou Shengxu, we treat each of Fuzhou Zizai and Hangzhou Shengxu as an associate. We use the equity method to account for our beneficial interest in Fuzhou Zizai and Hangzhou Shengxu based on their respective financial information.

Income Tax Expense

Our income tax expense primarily represent our total current and deferred tax expense under the relevant income tax rules and regulations in the jurisdictions where we operate. We recorded income tax expenses of RMB77.3 million, RMB63.7 million, RMB110.1 million, RMB14.5 million and RMB114.7 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. Our effective income tax rate, which is calculated by dividing income tax expenses by profit before tax for the same year/period, was a negative of 6.3%, a positive of 9.4%, a positive of 18.3%, a positive of 10.4% and a positive of 32.1%, respectively. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all of our tax obligations and did not have any material unresolved tax disputes.

Profit/(Loss) for the Year/Period

As a result of the foregoing, our net profit in 2021, 2022 and the four months ended April 30, 2022 and 2023 was RMB616.4 million, RMB491.5 million, RMB124.6 million and RMB242.1 million, respectively. Our net loss in 2020 was RMB1,301.1 million. Our other income and gains accounted for 19.5%, 59.5%, 70.1% and 163.8% of our net profit in 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

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We recorded loss attributable to non-controlling interests of RMB22.5 million in 2022 due to losses incurred in our non-wholly owned subsidiaries, which mainly included Guangzhou Bajiuyou, HK 9 Ring and Guangzhou Tanwan Mobile Game. These subsidiaries incurred loss in 2022 mainly due to the significant marketing expenses in connection with certain newly launched game products. The game operated by Guangzhou Bajiuyou is mainly Blade of Freedom (自由之刃), which was launched in April 2022 and incurred significant marketing expenses in 2022. The games operated by HK 9 Ring are Legend of Ancient Times (上古傳奇) and War of Angels (天使之戰) which were launched in 2022 and incurred significant marketing expenses as the games are under the early stage of the lifecycle. Guangzhou Tanwan Mobile Game was newly incorporated in 2022 and engaged in game development, and incurred R&D and pre-operating expenses in 2022.

We recorded profit attributable to non-controlling interests of RMB22.1 million in the four months ended April 30, 2023, due to profit generated from our non-wholly owned subsidiaries, which mainly included Hainan Zhangwan and Guangzhou Bajiuyou. These subsidiaries generated profit in the first four months of 2023 mainly due to the marketing and operation of certain game products, such as Blade of Freedom (自由之刃).

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2023 Compared to Four Months Ended April 30, 2022

Revenue

Our revenue decreased by 14.0% from RMB2,846.7 million for the four months ended April 30, 2022 to RMB2,448.3 million for the four months ended April 30, 2023. The decrease in our revenue was primarily due to a decrease of RMB523.1 million in revenue generated from the online game publishing business and other marketing business for the game products we market and operate under the self-run model, as certain existing game products, including Blood of Fury (怒火一刀) and Legend of National War (國戰傳奇), entered into a later stage of their lifecycle, partially offset by (i) an increase of RMB46.3 million in revenue generated from our consumer products business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” as a result of our continuous efforts to promote and enhance this consumer product business; and (ii) an increase of RMB17.6 million in revenue generated from other marketing business, primarily revenue from provision of marketing online literature products, in line with our efforts to export our core capabilities to sectors beyond game products.

Our revenue generated from the game products we market and operate under the self-run model decreased by 25.6% from RMB2,040.7 million for the four months ended April 30, 2022 to RMB1,517.6 million for the four months ended April 30, 2023, primarily due to the decrease of revenue generated from certain existing game products, including Blood of Fury (怒火一刀) and Legend of National War (國戰傳奇), which entered into a later stage of their lifecycle, partially offset by the increase of revenue generated from the launch, marketing and operation of new game products under this model.

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Our revenue generated from the game products we market and operate under the joint-run model increased by 8.1% from RMB753.9 million for the four months ended April 30, 2022 to RMB814.8 million for the four months ended April 30, 2023, primarily due to the increase of revenue generated from the launch, marketing and operation of new game products under this model, including Blade of Freedom (自由之刃), partially offset by the decrease of revenue generated from certain existing game products under this model, including Blooded Attack (熱血合擊).

Cost of Sales

Our cost of sales increased by 8.3% from RMB738.4 million for the four months ended April 30, 2022 to RMB799.7 million for the four months ended April 30, 2023.

Our cost of sales for the game products operated under the self-run model decreased by 6.6% from RMB99.3 million for the four months ended April 30, 2022 to RMB92.7 million for the four months ended April 30, 2023, primarily due to (i) a decrease of RMB6.3 million in commissions to third-party payment channels, which was associated with a reduction in our gross billings under the self-run model; and (ii) a decrease of RMB5.8 million in amortization and depreciation expenses mainly in connection with the software copyrights of our self-owned game product, partially offset by an increase of RMB8.7 million in traffic acquisition fees, as we adjusted our promotion strategies and invested more in certain promotion channels in the first four months of 2023.

Our cost of sales for the game products operated under the joint-run model increased by 5.8% from RMB619.4 million for the four months ended April 30, 2022 to RMB655.6 million for the four months ended April 30, 2023, primarily driven by an increase of RMB41.9 million in commissions to collaborating distribution channels under the joint-run model, as we collaborated with more distribution channels entitled to a higher portion of gross billings.

Our cost of sales for the consumer product business increased significantly from RMB19.5 million for the four months ended April 30, 2022 to RMB50.8 million for the four months ended April 30, 2023, mainly due to the increase of procurement costs for our rice noodle products under the brand “Zha Zha Hui,” which was in line with our efforts to promote and enhance this consumer product business.

Gross Profit and Gross Profit Margin

Our total gross profit decreased by 21.8% from RMB2,108.3 million for the four months ended April 30, 2022 to RMB1,648.6 million for the four months ended April 30, 2023.

Our gross profit for the game products operated under the self-run model decreased by 26.6% from RMB1,941.4 million for the four months ended April 30, 2022 to RMB1,424.9 million for the four months ended April 30, 2023, primarily as a result of the revenue decline under the self-run model, which was in turn attributable to the operation of game products such as Blood of Fury (怒火一刀) and Legend of National War (國戰傳奇) which entered into a later stage of their lifecycle.

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Our gross profit for the game products operated under the joint-run model increased by 18.4% from RMB134.5 million for the four months ended April 30, 2022 to RMB159.2 million for the four months ended April 30, 2023, primarily as a result of the revenue growth under the joint-run model partially offset by the growth of cost of sales under the same model, which was in turn attributable to the launch, marketing and operation of new game products such as Blood of Freedom (自由之刃).

Our gross profit from the consumer product business increased by 92.8% from RMB16.1 million for the four months ended April 30, 2022 to RMB31.0 million for the four months ended April 30, 2023, primarily due to the sales growth of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui.”

Our overall gross profit margin decreased from 74.1% for the four months ended April 30, 2022 to 67.3% for the four months ended April 30, 2023, primarily due to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue.

Our gross profit margin for the self-run game products remained relatively stable at 95.1% and 93.9% for the four months ended April 30, 2022 and 2023, respectively. Our gross profit margin for the game products operated under the joint-run model relatively stable at 17.8% and 19.5% for the four months ended April 30, 2022 and 2023, respectively.

Our gross profit margin for the consumer product business decreased from 45.2% for the four months ended April 30, 2022 to 37.9% for the four months ended April 30, 2023, as a result of the increase of procurement costs for our rice noodle products in the first four months of 2023.

Other Income and Gains

Our other income and gains increased significantly from RMB87.4 million for the four months ended April 30, 2022 to RMB396.6 million for the four months ended April 30, 2023, primarily due to an increase of RMB327.0 million in investment income from financial assets at FVTPL, which we recognized from the sale of equity interests in a PRC-listed company.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 27.5% from RMB1,919.1 million for the four months ended April 30, 2022 to RMB1,391.6 million for the four months ended April 30, 2023, primarily due to a decrease of RMB543.9 million in marketing and promotion expenses, as certain game products entered into a later stage of their lifecycle, and therefore did not require significant marketing and promotion resources.

Administrative Expenses

Our administrative expenses increased by 94.6% from RMB44.1 million for the four months ended April 30, 2022 to RMB85.8 million for the four months ended April 30, 2023,

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primarily due to (i) an increase of RMB27.7 million in share-based compensation resulting from the new grant pursuant to the Pre-[REDACTED] Share Option Plan; and (ii) an increase of RMB10.7 million in [REDACTED] expenses incurred in relation to the [REDACTED].

Research and Development Costs

Our research and development costs increased by 22.0% from RMB47.3 million in the four months ended April 30, 2022 to RMB57.7 million in the four months ended April 30, 2023, primarily due to an increase of RMB13.4 million in share-based compensation resulting from the new grant pursuant to the Pre-[REDACTED] Share Option Plan.

Other Expenses

Our other expenses increased significantly from RMB10.3 million for the four months ended April 30, 2022 to RMB103.0 million for the four months ended April 30, 2023, primarily due to an increase of RMB99.2 million in investment loss on financial asset at FVTPL, mainly associated with our equity investments.

Finance Costs

Our finance costs increased by 26.3% from RMB28.9 million for the four months ended April 30, 2022 to RMB36.5 million for the four months ended April 30, 2023, primarily due to an increase of RMB6.8 million in the interest accrued on the interest-bearing bills payables used as means of payment to our business partners in the ordinary course of our business.

Share of Profits and Losses of Joint Ventures

We recorded a loss of RMB0.5 million for the four months ended April 30, 2023, compared to a gain of RMB0.9 million for the four months ended April 30, 2022, as our share of profits and losses of joint ventures, primarily attributable to an increase in the loss recorded by our joint venture company, Zhejiang Xuwan in 2023.

Share of Profits and Losses of Associates

We recorded a loss of RMB11.5 million for the four months ended April 30, 2023, compared to a loss of RMB6.8 million for the four months ended April 30, 2022, as our share of profits and losses of associates, primarily due to an increase in the loss recorded by our associate company, Hangzhou Shengxu in 2023.

Income Tax Expense

We recorded income tax expense of RMB114.7 million for the four months ended April 30, 2023, compared to RMB14.5 million for the four months ended April 30, 2022, primarily attributable to (i) an increase of RMB75.1 million in current tax expense, mainly due to upward

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adjustments in our preferential tax rates pursuant to the applicable policies; and (ii) an increase of RMB25.1 million in deferred tax expense, as a result of withholding tax on the distributable profits of our Group’s PRC subsidiaries and the loss-making position of certain subsidiaries turning into profit-making position in 2023.

Profit for the Period

As a result of the foregoing, our net profit increased by 94.3% from RMB124.6 million for the four months ended April 30, 2022 to RMB242.1 million for the four months ended April 30, 2023.

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

Revenue

Our revenue increased by 53.7% from RMB5,735.7 million in 2021 to RMB8,817.2 million in 2022. The increase in our revenue was primarily driven by (i) an increase of RMB2,890.3 million in revenue generated from the online game publishing business and other marketing business for the game products we market and operate under the self-run and joint-run models, which was primarily attributable to the launch, marketing and operation of new game products including Legend of National War (國戰傳奇) and Blade of Freedom (自由之刃), and continuous operation and performance of existing game products in 2022 including Legend of Origin (原始傳奇) and Legend of Guyun (古雲傳奇); (ii) an increase of RMB185.4 million in revenue generated from our consumer product business in 2022, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” as a result of our efforts to promote and enhance this consumer product business; and (iii) an increase of RMB5.8 million in revenue generated from others, primarily consisting of revenue from provision of marketing online literature products, in line with our efforts to export our core capabilities to sectors beyond game products.

Cost of Sales

Our cost of sales increased significantly from RMB997.4 million in 2021 to RMB2,407.5 million in 2022.

Our cost of sales for the game products operated under the self-run model increased by 19.2% from RMB237.5 million in 2021 to RMB283.1 million in 2022, primarily driven by (i) an increase of RMB21.3 million in commissions to third-party payment channels, mainly attributable to the increased collaboration with third-party payment channels, which was in line with our revenue growth under the self-run model; and (ii) an increase of RMB13.9 million in depreciation and amortization in relation to the software copyrights of our self-owned game product.

Our cost of sales for the game products operated under the joint-run model increased significantly from RMB742.0 million in 2021 to RMB1,995.9 million in 2022, primarily driven by

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an increase of RMB1,214.0 million in commissions to collaborating distribution channels under the joint-run model, which was in line with our efforts to enhance our collaborating distribution channels for products and an increase in the publishing activities they carried out, which was consistent with our rapid business growth under this model.

Our cost of sales for the consumer product business increased significantly from RMB17.2 million in 2021 to RMB127.9 million in 2022, mainly due to the cost of procuring rice noodle products under the brand “Zha Zha Hui,” which was in line with our efforts to promote and enhance this consumer product business during this period.

Gross Profit and Gross Profit Margin

Our total gross profit increased by 35.3% from RMB4,738.4 million in 2021 to RMB6,409.7 million in 2022.

Our gross profit for the game products operated under the self-run model increased by 32.3% from RMB4,458.5 million in 2021 to RMB5,896.5 million in 2022, as a result of our rapid revenue growth under the self-run model outpacing the growth of our cost of sales for the same year, primarily attributable to the continuous operation of game products such as Blade of Freedom (自由之刃) and Legend of National War (國戰傳奇) under this model in 2022.

Our gross profit for the game products operated under the joint-run model increased by 65.0% from RMB235.1 million in 2021 to RMB387.9 million in 2022, as a result of our rapid revenue growth under the joint-run model outpacing the growth of our cost of sales for the same year. Our revenue under the joint-run model as a percentage of our total revenue increased from 17.2% in 2021 to 27.8% in 2022.

Our gross profit from the consumer product business increased significantly from RMB13.1 million in 2021 to RMB87.8 million in 2022, primarily due to the sales growth of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui.”

Our overall gross profit margin decreased from 82.6% in 2021 to 72.7% in 2022, primarily due to (i) the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue, and (ii) the decrease in the gross profit margin for game products operated under the joint-run model.

Our gross profit margin for the self-run game products remained relatively stable at 94.9% and 95.4% in 2021 and 2022, respectively, as commissions to third-party payment channels as a percentage of revenue remained relatively stable. Our gross profit margin for the game products operated under the joint-run model decreased from 24.1% in 2021 to 16.3% in 2022, primarily because (i) as we have become the developer of Legend of Guyun since 2022 and the game has entered the maturity stage, both the gross billings of the Legend of Guyun generated through the third party distribution channels and the rate of commissions they charged are relatively high, resulting in a higher commission; and (ii) we cooperated with more game co-publishers to utilize

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their own user bases, marketing resources and technology platforms for expanding the end-users base, which usually charges a higher portion of gross billings since they need to carry out more marketing and promotion activities to attain end-user acquisition.

Our gross profit margin for the consumer product business remained relatively stable at 43.2% and 40.7% in 2021 and 2022, respectively.

Other Income and Gains

Our other income and gains increased significantly from RMB120.1 million in 2021 to RMB292.6 million in 2022, primarily due to (i) an increase of RMB95.7 million in interest income accrued on time deposits, which was in line the increase in our time deposits for the same year and (ii) an increase of RMB31.2 million in VAT additional deduction and refunds, which were calculated as a percentage of the deductible input tax for the relevant period. The increase was primarily due to the increase of our deductible input tax in line with our business growth.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 46.0% from RMB3,851.2 million in 2021 to RMB5,622.4 million in 2022, primarily due to (i) an increase of RMB1,701.0 million in marketing and promotion expenses, primarily due to our increased efforts to market the online game, online literature and consumer products through collaborating media platforms including the marketing of newly-launched games such as Legend of National War (國戰傳奇) and Blade of Freedom (自由之刃) in 2022, which was in line with our business growth that required more promotion to increase exposure of our online game and online literature products; and (ii) an increase of RMB48.7 million in employee salaries as a result of the increase in the headcount of our selling and distribution personnel in departments such as the marketing and design departments, which was in line with our business growth.

Administrative Expenses

Our administrative expenses increased by 64.5% from RMB106.8 million in 2021 to RMB175.7 million in 2022, primarily due to (i) an increase of RMB16.8 million in share-based compensation we made in November 2022 associated with our administrative personnel; (ii) an increase of RMB14.5 million in [REDACTED] fees; and (iii) an increase of RMB12.3 million in employee salaries as a result of the increase in the headcount of our administrative personnel in departments such as the general manager office, finance, legal and human resources departments, which was in line with our business growth.

Research and Development Costs

Our research and development costs increased by 15.2% from RMB136.9 million in 2021 to RMB157.7 million in 2022, primarily due to (i) an increase of RMB16.7 million in employee

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salaries as a result of the increase in the headcount of our system development and management team who were responsible for upgrading our AI system and algorithm platforms, which was in line with efforts to enhance our research and development team to support our business growth; and (ii) an increase of RMB8.1 million in share-based compensation we made in 2022; partially offset by a decrease of RMB6.4 million in technology development fees as a result of a decrease in commissioned software development.

Impairment Losses on Financial Assets

In 2021 and 2022, we recorded net impairment gains on financial assets of RMB0.9 million and net impairment losses on financial assets of RMB2.2 million, respectively. The fluctuation in connection with this item is mainly due to changes in the allowance for impairment we recorded based on the expected credit loss over trade receivables and other receivables.

Other Expenses

Our other expenses decreased by 49.7% from RMB16.5 million in 2021 to RMB8.3 million in 2022, primarily due to a decrease of RMB11.5 million in provisions made for litigations, which was significantly higher in 2021 primarily due to the trial courts’ decisions made in 2021 on certain litigations involving several game products operated by us, including Prosperous World (盛世遮天), Legend of Guyun (古雲傳奇) and Legend of Lanyue (藍月傳奇). See “Business — Legal Proceedings and Compliance — Legal Proceedings” for details. Such decrease was partially offset by an increase of RMB5.5 million in impairment losses on assets in relation to property and equipment.

Finance Costs

Our finance costs increased significantly by 92.5% from RMB56.0 million in 2021 to RMB107.9 million in 2022, primarily due to (i) an increase of RMB41.9 million in the interest accrued on the interest-bearing bills payables used as means of payment to our business partners, which was in line with the rapid growth of our business; and (ii) an increase of RMB1.9 million in interest expenses on lease liabilities, primarily because we leased more offices as a result of our business expansion.

Share of Profits and Losses of Joint Ventures

We recorded a gain of RMB4.2 million in 2021 and a gain of RMB7.4 million in 2022 as our share of profits and losses of joint ventures, primarily attributable to a decrease in the loss recorded by our joint venture company, Guangzhou Zeda in 2022.

Share of Profits and Losses of Associates

We recorded a loss of RMB15.9 million in 2021 and a loss of RMB33.9 million in 2022 as our share of profits and losses of associates, primarily due to an increase in the loss recorded by our associate company, Hangzhou Shengxu.

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Income Tax Expense

We recorded income tax expense of RMB63.7 million in 2021 and RMB110.1 million in 2022, primarily because the income tax rate of Jiangxi Tanwan increased from 15% to 25% as it did not qualify for the HNTE preferential tax rate in 2022.

Profit for the Year

As a result of the foregoing, our net profit decreased by 20.3% from RMB616.4 million in 2021 to RMB491.5 million in 2022. Such decrease was primarily due to a decrease in our gross profit margin, which is attributable to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue, and the decrease in the gross profit margin for game products operated under the joint-run model, and an increase in our selling and distribution expenses to promote our newly launched games, which may not contribute greatly to our revenue until a relatively later stage.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased significantly from RMB2,872.4 million in 2020 to RMB5,735.7 million in 2021. The increase in our revenue was primarily driven by (i) an increase of RMB2,801.7 million in revenue generated from the online game publishing business and other marketing business for the game products we market and operate under the self-run and joint-run models, which was primarily attributable to the launch, marketing and operation of new game products including Blooded Attack (熱血合擊), and continuous operation and performance of existing game products in 2021, including Legend of Guyun (古雲傳奇) and Legend of Origin (原始傳奇); (ii) revenue of RMB30.3 million from our consumer product business in 2021, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” as a result of our efforts to promote and enhance this consumer product business; and (iii) an increase of RMB31.4 million in revenue generated from others, primarily consisting of revenue from provision of marketing to online literature products, in line with our efforts to export our core capabilities to sectors beyond game products.

Cost of Sales

Our cost of sales increased significantly from RMB433.0 million in 2020 to RMB997.4 million in 2021.

Our cost of sales for the game products operated under the self-run model increased significantly from RMB105.7 million in 2020 to RMB237.5 million in 2021, primarily due to (i) an increase of RMB84.9 million in commissions to third-party payment channels, mainly attributable to the increased collaboration with third-party payment channels, which was in line with our revenue growth under the self-run model; and (ii) an increase of RMB46.8 million in

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others, mainly representing the increase in employee salaries in line with our business expansion under this model, and an increase in depreciation and amortization due to an increase in amortization of other intangible assets directly associated with revenue generation under this model.

Our cost of sales for the game products operated under the joint-run model increased significantly from RMB327.3 million in 2020 to RMB742.0 million in 2021, primarily due to an increase of RMB402.8 million in commissions to collaborating distribution channels under the joint-run model, which was in line with our efforts to enhance our collaborating distribution channels for products and an increase in the publishing activities they carried out, which was consistent with our rapid business growth under this model.

In 2021, we recorded RMB17.2 million of cost of sales for the consumer product business, as compared to nil in 2020, mainly due to the cost of procuring rice noodle products under the brand “Zha Zha Hui,” which was in line with our efforts to promote and enhance this consumer product business in 2021.

Gross Profit and Gross Profit Margin

Our total gross profit increased by 94.2% from RMB2,439.4 million in 2020 to RMB4,738.4 million in 2021.

Our gross profit for the game products operated under the self-run model increased by 92.8% from RMB2,312.4 million in 2020 to RMB4,458.5 million in 2021, as a result of the rapid revenue growth under the self-run model outpacing the growth of our cost of sales for the same year, primarily attributable to the continuous operation of game products such as Blooded Attack (熱血合擊) under this model in 2021. Our gross profit for the game products operated under the joint-run model increased by 86.5% from RMB126.1 million in 2020 to RMB235.1 million in 2021, as a result of the rapid revenue growth under this model, primarily attributable to the continuous operation of game products such as Legend of Origin (原始傳奇).

In 2021, we recorded a gross profit of RMB13.1 million from the consumer product business, primarily due to the sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui.” We did not generate revenue or cost of sales from the consumer product business in 2020.

Our overall gross profit margin remained relatively stable at 84.9% and 82.6% in 2020 and 2021, respectively.

Our gross profit margin for the game products operated under the self-run model remained relatively stable at 95.6% and 94.9% in 2020 and 2021, respectively, as commissions to third-party payment channels as a percentage of revenue remained relatively stable. Our gross profit margin for the game products operated under the joint-run model remained relatively stable at 27.8% and 24.1% in 2020 and 2021, respectively.

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In 2021, we recorded a gross profit margin of 43.2% for the consumer product business.

The gross profit margin for the consumer product business was not applicable in 2020.

Other Income and Gains

Our other income and gains decreased from RMB130.5 million in 2020 to RMB120.1 million in 2021, primarily due to (i) a decrease of RMB59.2 million in investment income, primarily due to the decrease in investment income as a result of the realized gain on certain financial assets at FVTPL as we recorded more bank deposits instead of FVTPL in 2021; and (ii) a decrease of RMB5.7 million government grants, partially offset by an increase of RMB60.3 million in interest income as a result of an increase in our bank deposits in 2021.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly from RMB1,916.7 million in 2020 to RMB3,851.2 million in 2021, primarily due to an increase of RMB2,095.9 million in marketing and promotion expenses, primarily due to our increased efforts to market the online game and online literature products through collaborating media platforms including the marketing of newly-launched games such as Blooded Attack (熱血合擊), and existing games such as Legend of Guyun (古雲傳奇) and Legend of Origin (原始傳奇) in 2021, which was in line with our business growth that required more promotion to increase exposure of our mobile game and online literature products. The increase was partially offset by a decrease of RMB232.8 million in share-based compensation associated with the selling and distribution personnel, which was a one-off payment we made in 2020. We did not record any share-based compensation associated with the selling and distribution personnel in 2021.

Administrative Expenses

Our administrative expenses decreased by 92.1% from RMB1,349.5 million in 2020 to RMB106.8 million in 2021, which was primarily due to a decrease of RMB1,295.8 million in share-based compensation associated with the administrative personnel, which was a one-off payment we made in 2020. We did not record any share-based compensation associated with the administrative personnel in 2021.

Research and Development Costs

Our research and development costs decreased by 71.0% from RMB472.4 million in 2020 to RMB136.9 million in 2021, which was primarily due to (i) a decrease of RMB287.5 million in share-based compensation associated with the research and development personnel, which was a one-off payment we made in 2020; and (ii) a decrease of RMB115.1 million in technology development expenses, due to a decrease in the service fees paid to third party vendors as we continued to enhance our internal research and development capabilities, partially offset by an increase of RMB65.2 million in employee salaries as a result of the increase in the headcount of

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our research and development personnel, particularly the expansion of our software engineering team who were responsible for the system development of our Hetu (河圖) and Luoshu (洛書) technology platforms, which was in line with efforts to enhance our research and development team to support our business growth. We did not record any share-based compensation associated with the research and development personnel in 2021.

Impairment Losses on Financial Assets

In 2020 and 2021, we recorded reversals of net impairment losses on financial assets of RMB5.4 million and RMB0.9 million, respectively. The fluctuations in connection with this item is mainly due to changes in the allowance for impairment we recorded based on the expected credit loss over trade receivables and other receivables.

Other Expenses

Our other expenses increased significantly from RMB2.2 million in 2020 to RMB16.5 million in 2021, primarily due to (i) an increase of RMB11.2 million in provisions made for litigations, primarily due to the trial courts’ decisions made in 2021 on certain litigations involving several game products operated by us, including Legend of Guyun (古雲傳奇), Prosperous World (盛世遮天) and Legend of Lanyue (藍月傳奇). See “Business — Legal Proceedings and Compliance — Legal Proceedings” for details; and (ii) an increase of RMB2.6 million in loss on certain financial assets at FVTPL.

Finance Costs

Our finance costs increased by 8.5% from RMB51.6 million in 2020 to RMB56.0 million in 2021, primarily due to (i) an increase of RMB2.5 million in the interest accrued on the interest-bearing bill payables used as means of payment to our business partners, which was in line with the rapid growth of our business; and (ii) an increase of RMB1.9 million in interest on lease liabilities, primarily due to our leasing more offices as a result of our business expansion.

Share of Profits and Losses of Joint Ventures

We recorded a loss of RMB2.4 million in 2020 and a gain of RMB4.2 million in 2021 as our share of profits and losses of joint ventures, primarily attributable to the profit recorded by our joint venture company, Zhejiang Xuwan in 2021.

Share of Profits and Losses of Associates

We recorded a loss of RMB4.2 million in 2020 and a loss of RMB15.9 million in 2021 as our share of profits and losses of associates, primarily attributable to an increase in the loss recorded by our associate company, Fuzhou Zizai.

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Income Tax Expense

Our income tax expense decreased by 17.6% from RMB77.3 million in 2020 to RMB63.7 million in 2021, primarily due to a decrease of RMB51.9 million of deferred tax expenses, primarily attributable to recognition of deferred tax assets as a result of the loss incurred by certain subsidiaries of our Company in 2021, partially offset by an increase of RMB38.3 million of current tax expenses, primarily attributable to an increase in our taxable income as a result of the increased profit incurred by a subsidiary of our Company in 2021.

(Loss)/Profit for the Year

As a result of the foregoing, we generated a net loss of RMB1,301.1 million in 2020 and a net profit of RMB616.4 million in 2021.

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DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net Current Liabilities

The following table sets forth our net current assets and net current liabilities as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>	<u>As of</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>April 30,</u>	<u>June 30,</u>
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
CURRENT ASSETS					
Inventories	—	1,020	4,424	2,612	3,436
Trade receivables	221,996	271,086	426,817	308,273	267,119
Prepayments, other receivables and other assets	393,384	375,693	667,323	669,602	619,150
Amounts due from related parties	99,766	95,000	16,981	16,981	52,784
Financial assets at FVTPL	550,446	1,089,969	1,271,335	1,277,878	848,100
Pledged deposits	544,762	1,239,799	3,006,801	3,605,530	2,976,076
Restricted cash	84,933	25,863	10,394	39,190	164,168
Cash and cash equivalents	393,472	693,608	213,422	399,270	426,299
Total current assets	<u>2,288,759</u>	<u>3,792,038</u>	<u>5,617,497</u>	<u>6,319,336</u>	<u>5,357,832</u>
CURRENT LIABILITIES					
Trade payables	275,562	560,035	523,649	532,211	481,340
Bills payables	1,729,989	3,422,140	5,640,211	5,861,676	5,254,642
Other payables and accruals	961,077	943,124	901,219	840,727	691,499
Interest-bearing bank borrowings	—	89,950	555,844	442,716	350,980
Lease liabilities	2,134	27,793	21,247	19,010	19,868
Amounts due to related parties	—	64	—	—	—
Tax payable	93,691	146,872	247,796	346,807	352,006
Total current liabilities	<u>3,062,453</u>	<u>5,189,978</u>	<u>7,889,966</u>	<u>8,043,147</u>	<u>7,150,335</u>
Net current liabilities	<u>(773,694)</u>	<u>(1,397,940)</u>	<u>(2,272,469)</u>	<u>(1,723,811)</u>	<u>(1,792,503)</u>

Our net current liabilities decreased from RMB2,272.5 million as of December 31, 2022 to RMB1,723.8 million as of April 30 2023, primarily due to (i) an increase of RMB598.7 million in pledged deposits (current portion), in order to secure more bills and bills payables used as means of payment to our business partners in the ordinary course of our business; (ii) an increase of RMB185.8 million in cash and cash equivalents, primarily attributable to the investment income on our financial assets; and (iii) a decrease of RMB113.1 million in interest-bearing bank borrowings, partially offset by (i) a decrease of RMB118.5 million in trade receivables as a result of the settlement of certain trade receivables which were due; and (ii) an

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increase of RMB221.5 million in bills payables as means of payment to our business partners in the ordinary course of our business.

Our net current liabilities increased from RMB1,397.9 million as of December 31, 2021 to RMB2,272.5 million as of December 31, 2022, primarily due to (i) an increase of RMB2,218.1 million in bills payables, which were primarily secured by current and non-current pledged deposits; and (ii) an increase of RMB465.9 million in interest-bearing bank borrowings primarily because we use bills as one of our payment methods, which was in line with our overall business growth, partially offset by (i) an increase of RMB1,767.0 million in pledged deposits (current portion) in order to secure more discounted bills and bills payables required for our business expansion; (ii) an increase of RMB291.6 million in prepayments, other receivables and other assets (current portion), mainly attributable to prepayments for marketing and operation activities and to game developers, which was in line with our business expansion; and (iii) an increase of RMB181.4 million in financial assets at FVTPL, as a result of an increase of wealth management products we purchased and listed equity investments. As of December 31, 2022, we also recorded a decrease of RMB480.2 million in cash and cash equivalents under the current assets, which was primarily due to our purchase of financial assets to better utilize our cash on hands.

Our net current liabilities increased from RMB773.7 million as of December 31, 2020 to RMB1,397.9 million as of December 31, 2021, primarily due to an increase of RMB1,692.2 million in bills payables, which was in line with our rapid business growth, partially offset by (i) an increase of RMB695.0 million in pledged deposits (current portion), in order to secure more discounted bills and bills payables required for our business expansion; (ii) an increase of RMB539.5 million in financial assets at FVTPL, primarily attributable to an increase of wealth management products we purchased; and (iii) an increase of RMB300.1 million in cash and cash equivalents, mainly attributable to our cash flows generated from operating activities, which was in line with our overall business growth.

The increase in our net current liabilities during the Track Record Period was primarily because a significant portion of its pledged deposits used to secure our bills payables and interest-bearing bank borrowings were time deposits with a term exceeding one year and therefore recorded as non-current assets. To the extent its liquidity and working capital needs are met, we believe that time deposits, compared to demand deposits, can help us better utilize our idle cash by earning a higher interest. The noncurrent portion of our pledged deposits was RMB876.4 million, RMB2,022.2 million and RMB3,395.6 million as of December 31, 2020, 2021 and 2022, respectively, which was higher than our net current liabilities recorded as of the same dates.

As our net current liabilities are primarily due to the pledged deposits used to secure our bills payables and interest-bearing bank borrowings, which are time deposits with a term exceeding one year. We believe our net current liability position can be improved by better management of our cash. As part of our cash management policy, we monitor our pledged bank deposits regularly and prepare a bi-weekly cash flow forecast to ensure that we are able to maintain an optimal level of liquidity and meet our working capital needs. To improve our net current liabilities position, we plan to from time to time dynamically allocate our cash between

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time deposits and demand deposits, including adjusting the maturity terms of the time deposits we make, in the event that our liquidity and working capital needs require us to do so.

Trade Receivables

Our trade receivables primarily consist of outstanding amounts payable by collaborating distribution channels under our joint-run model in the ordinary course of our business.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Trade receivables	230,606	273,863	430,209	311,614
Impairment	(8,610)	(2,777)	(3,392)	(3,341)
Trade receivables, net	<u>221,996</u>	<u>271,086</u>	<u>426,817</u>	<u>308,273</u>

Our net trade receivables decreased by 27.8% from RMB426.8 million as of December 31, 2022 to RMB308.3 million as of April 30 2023, primarily as a result of the settlement of certain trade receivables which were due. Our net trade receivables increased by 22.1% from RMB222.0 million as of December 31, 2020 to RMB271.1 million as of December 31, 2021. Our net trade receivables increased by 57.4% from RMB271.1 million as of December 31, 2021 to RMB426.8 million as of December 31, 2022. The increases were in line with the changes in our revenue generated from game products operated under the joint-run model for the respective periods.

As of June 30, 2023, RMB194.0 million, or 62.9% of our trade receivables as of April 30, 2023 had been settled subsequently.

The following table sets forth our trade receivables turnover days during the Track Record Period:

	For the Year Ended December 31,			For the Four Months Ended April 30,
	2020	2021	2022	2023
Trade receivables turnover days⁽¹⁾	21	16	15	18

Note:

(1) Trade receivables turnover days for a given period equals the average trade receivables balances as of the beginning and the end of the period divided by total revenues during the period and then multiplied by 365 days for the full-year period and 120 days for the four-month period.

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A significant portion of our trade receivables represent receivables from gross billings made by end users and withheld by the collaborating distribution channels, which are recorded as cost of sales, instead of revenue. As such, our trade receivable turnovers are presented above for illustrative purpose only and do not reflect the credit terms we grant to them. Our trade receivables turnover days decreased from 21 days in 2020 to 16 days in 2021 and further to 15 days in 2022, primarily due to an increase in our collaboration with third-party distribution channels having shorter payment cycles and credit terms. Our trade receivable turnover days increased from 15 days in 2022 to 18 days for the four months ended April 30, 2023, primarily due to an increase in our collaboration with third-party distribution channels having longer payment cycles and credit terms.

Our trading terms with our collaborating distribution channels are mainly on credit. The credit period is generally 30 days to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts. We seek to maintain strict control over outstanding receivables. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

The table below sets forth a breakdown of trade receivables (before loss allowance) by credit terms as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Within 30 days	—	11,763	17,285	11,602
30 to 90 days	228,523	260,118	411,243	298,538
Over 90 days	2,083	1,982	1,681	1,474
Total	<u>230,606</u>	<u>273,863</u>	<u>430,209</u>	<u>311,614</u>

Aging analysis of trade receivables based on transactions dates and net of loss allowance is as follows:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Within 1 year	219,754	269,951	424,403	304,068
1 to 2 years	813	1,127	2,222	4,105
Over 2 years	1,429	8	192	100
Trade receivables, net	<u>221,996</u>	<u>271,086</u>	<u>426,817</u>	<u>308,273</u>

Our Directors consider that there is no material recoverability issue with respect to the outstanding trade receivables and that our impairment allowance was adequate in light of the

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prevailing circumstances as of the Latest Practicable Date, based on (i) our periodic assessment to closely monitor our credit exposure and identify significant increases in credit risks and, where applicable, make timely allowance for expected credit losses, (ii) the stringent internal measures we have taken to enhance the management and collection of trade receivables, (iii) our trade receivables aged within one year accounted for 98.6% of the total trade receivables as of April 30, 2023, and (iv) the reliability and track record of settling payables by our collaborating distribution channels, which are mainly established companies well-known in the industry. See note 20 to the Accountants’ Report in Appendix I to this document for details on our allowance for impairment of trade receivables.

Prepayments, Other Receivables and Other Assets (Current Portion)

The current portion of our prepayments, other receivables and other assets primarily consist of (i) prepayments we made for marketing and promotion services; (ii) deposits and other receivables, primarily including lease deposits and receivables; (iii) prepayment to game developers; (iv) undrawn deposits in third-party payment channels; (v) deductible input VAT, representing the amounts of VAT to be deducted for future VAT payments; (vi) loans due from third parties; (vii) prepaid expense; (viii) time deposits with original maturity of over three months but less than one year; (ix) contract costs for self-owned game product; and (x) deferred [REDACTED] expenses.

During the Track Record Period, our contract costs were in relation to the deferred commissions to collaborating distribution channels for our self-owned game, Legend of Guyun (古雲傳奇). Unlike the game products authorized by third-party game developers or publishers, for which we recognize revenue when the end users pay for the purchase of in-game virtual items, we recognized revenue for our self-owned game ratably over the estimated average playing period of paying end-users (“Player Relation Period”), commencing from point in time when the purchase of in-game virtual items is made, subject to the fulfillment of all other revenue recognition criteria. Accordingly, a portion of the gross billings withheld by our collaborating distribution platforms are initially recognized as contract cost and subsequently amortized in the same pattern consistent with our revenue recognition.

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The following table sets forth the current portion of our prepayments, other receivables and other assets as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>April 30,</u>
	<i>(RMB in thousands)</i>			
Prepayment for marketing and promotion services	97,926	46,012	109,282	116,886
Deposits and other receivables	149,175	108,719	187,539	110,841
Prepayment to game developers	53,797	75,559	148,171	174,507
Undrawn deposits in third party payment channels	10,520	15,550	39,733	108,425
Deductible input VAT	66,786	71,782	83,418	87,938
Loans due from third parties	27,000	—	21	14
Prepaid expenses	552	7,974	1,785	6,014
Time deposits with original maturity of over three months but less than one year	—	65,671	48,093	28,787
Contract costs for self-owned games	—	—	61,686	48,029
Deferred [REDACTED] expenses	—	1,613	6,386	8,892
	<u>405,756</u>	<u>392,880</u>	<u>686,114</u>	<u>690,333</u>
Less: allowance for impairment	<u>(12,372)</u>	<u>(17,187)</u>	<u>(18,791)</u>	<u>(20,731)</u>
Total	<u>393,384</u>	<u>375,693</u>	<u>667,323</u>	<u>669,602</u>

The current portion of our prepayments, other receivables and other assets remained relatively stable at RMB667.3 million as of December 31, 2022 and RMB669.6 million as of April 30 2023, primarily reflecting (i) an increase of RMB68.7 million in undrawn deposits in third-party payment channels, which primarily reflected the increase in top-up amounts by end users through such third-party payment channels; and (ii) an increase of RMB26.3 million in prepayment to game developers primarily for certain new game products we market and operate in 2023, partially offset by (i) a decrease of RMB76.7 million in deposits and other receivables; (ii) a decrease of RMB19.3 million in time deposits with original maturity of over three months but less than one year; and (iii) a decrease of RMB13.7 million in contract costs for self-owned game, which was primarily due to a decrease in deferred commission to collaborating distribution channels as our gross billings generated from this game under the joint-run model declined in the four months ended April 30, 2023.

The current portion of our prepayments, other receivables and other assets increased by 77.6% from RMB375.7 million as of December 31, 2021 to RMB667.3 million as of December 31, 2022, primarily due to (i) an increase of RMB63.3 million in prepayments for marketing and promotion activities, which was in line with the increase of our marketing and promotion expenses in 2022; (ii) an increase of RMB72.6 million in prepayment to game developers primarily for certain new game products marketed and operated by us, which was in line with our rapid business growth; (iii) an increase of RMB61.7 million in contract costs in relation to deferred commissions to collaborating distribution channels, as a result of the continuous operation of our self-owned game product; and (iv) an increase of RMB78.8 million in deposits and other receivables.

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The current portion of our prepayments, other receivables and other assets decreased by 4.5% from RMB393.4 million as of December 31, 2020 to RMB375.7 million as of December 31, 2021, primarily due to (i) a decrease of RMB51.9 million in prepayment for marketing and promotion activities; and (ii) a decrease of RMB40.5 million in deposits and other receivables; partially offset by an increase of RMB65.7 million in time deposits with original maturity of over three months but less than one year.

As of June 30, 2023, RMB141.2 million or 21.1% of all current portion of prepayments, other receivables and other assets as of April 30, 2023 had been subsequently settled.

As of June 30, 2023, nil of our loans due from third parties as of April 30, 2023 had been subsequently settled. During the Track Record Period, our loans due from third parties, based on friendly negotiation and agreement with the borrowers, were furnished with our own funds and used for the respective borrowers’ operational needs. For the repayment of these loans, we did not demand any interest from the borrowers, and there were no dispute arising from such loans. Therefore, our PRC Legal Adviser has advised us that such loans provided by our PRC subsidiaries to third parties did not breach mandatory provisions under applicable PRC laws. Based on the above, our Directors are of the view that our loans due from third parties during the Track Record Period were in compliance with the relevant applicable laws and regulations.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily consist of (i) investments in wealth management products, with the expected rates of return for such financial products held by us as of April 30, 2023 ranging from 2.05% to 3.0%, (ii) listed equity investments, and (iii) fund investments to improve returns on our excess liquidity. We manage and evaluate the performance of investments on a fair value basis in accordance with our risk management and investment strategy. The fair values of wealth management products and fund investments were recognized based on the observable inputs of valuation models from the private equity funds and were within level 2 of the fair value hierarchy. The fair values of investment in listed companies were recognized at quoted price in active markets.

The following table sets forth our financial assets at FVTPL as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
				2023
	<i>(RMB in thousands)</i>			
Wealth management products, at fair value	497,834	1,039,932	471,530	680,293
Listed equity investments, at fair value	50,611	8,441	799,805	597,585
Fund investments, at fair value	2,001	41,596	—	—
Total	550,446	1,089,969	1,271,335	1,277,878

Our financial assets at FVTPL amounted to RMB550.4 million, RMB1,090.0 million, RMB1,271.3 million and RMB1,277.9 million as of December 31, 2020, 2021 and 2022 and

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April 30, 2023, respectively. During the Track Record Period, we purchased and redeemed financial products in accordance with our treasury management objective to improve returns on our available capital.

Pledged Deposits (Current Portion)

The current portion of our pledged deposits primarily consists of deposits with a maturity of less than one year held in designated bank accounts for discounted bills and bills payables.

The current portion of the pledged deposits was RMB544.8 million, RMB1,239.8 million, RMB3,006.8 million and RMB3,605.5 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. We use bank acceptance bills as one of our main payment methods to pay game developers and advertising agencies for marketing and operation activities in the ordinary course of our business, and we are required to pledge a sufficient amount of deposits or other assets (such as wealth management products) in banks to facilitate the issuance of bills. The increase of pledged deposits during the Track Record Period was associated with the increase of bills issued by us.

We issue bank acceptance bills based on the amounts required for the specific transactions with our clients or suppliers after the approval by our finance team, where the amount of pledged deposits is determined in accordance with the agreement signed between banks and our Company. As part of our cash management policy, we monitor our pledged bank deposits on a daily basis and check the fluctuation and balance of our pledged bank deposits every week. We also prepare a bi-weekly cash flow forecast, which is submitted for approval by our finance team, to ensure that we are able to maintain an optimal level of liquidity and meet our working capital needs.

Cash and Cash Equivalent

Our cash and cash equivalents primarily consist of cash on hands and bank balances.

Our cash and cash equivalents increased by 87.1% from RMB213.4 million as of December 31, 2022 to RMB399.3 million as of April 30 2023, primarily attributable to the investment income on our financial assets.

Our cash and cash equivalents decreased by 69.2% from RMB693.6 million as of December 31, 2021 to RMB213.4 million as of December 31, 2022, primarily due to our purchase of financial assets to better utilize our cash on hands.

Our cash and cash equivalents increased by 76.3% from RMB393.5 million as of December 31, 2020 to RMB693.6 million as of December 31, 2021, primarily attributable to our cash flows generated from operating activities, which was in line with our overall business growth in 2021.

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Trade Payables

Our trade payables primarily consist of (i) a portion of gross billing payable to our clients in connection with end-users’ in-game purchases of the products developed by the clients for which we provide precision marketing, in-depth operation and brand development services; and (ii) payables to our suppliers, such as server custody service providers and suppliers for our consumer product business.

Our trade payables increased remained relatively stable at RMB523.6 million as of December 31, 2022 and RMB532.2 million as of April 30 2023, mainly due to the increase in trade payables to game developers as we reduced the use of bank acceptance bills as a payment method for our game developers, partially offset by the decrease in payables to suppliers for the procurement of noodle products for our consumer product business.

Our trade payables decreased by 6.5% from RMB560.0 million as of December 31, 2021 to RMB523.6 million as of December 31, 2022, mainly due to the decrease in the payable to game developers as we used more bills to pay the game developers.

Our trade payables increased significantly from RMB275.6 million as of December 31, 2020 to RMB560.0 million as of December 31, 2021, mainly attributable to the increase in the outstanding amounts payable to our clients as a result of our business expansion in 2021.

As of June 30, 2023, RMB224.4 million, or 42.2% of our trade payables as of April 30, 2023 had been settled subsequently.

The following table sets forth our trade payables turnover days during the Track Record Period:

	For the Four Months			
	For the Year Ended December 31,			Ended April 30,
	2020	2021	2022	2023
Trade payables turnover days⁽¹⁾	272	153	82	79

Note:

(1) Trade payables turnover days for the Track Record Period equals the average of the opening and closing trade payables balance divided by cost of sales for the Track Record Period and multiplied by 365 days for a full-year period and 120 days for a four-month period.

Our trade payables turnover days decreased from 272 days in 2020 to 153 days in 2021, then to 82 days in 2022 and further to 79 days for the four months ended April 30, 2023, primarily due to an increase in the revenue generated under the joint-run model as a percentage of our total revenue, and a higher gross billing sharing percentage with the collaborating distribution channels.

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The trade payables are non-interest-bearing and are normally settled on one-year terms. The table below sets forth a breakdown of trade payables by credit terms as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Within 90 days	190,566	176,457	150,909	122,068
90 to 180 days	721	293,140	71,802	103,779
Over 180 days	84,275	90,438	300,938	306,364
Total	<u>275,562</u>	<u>560,035</u>	<u>523,649</u>	<u>532,211</u>

The trade payables over 180 days increased significantly from RMB90.4 million as of December 31, 2021 to RMB300.9 million as of December 31, 2022, as a result of the increased bargaining power with game developers and suppliers, which enabled us to obtain longer credit terms. Our Directors confirm that, no outstanding balances of trade payables as of April 30, 2023 are in dispute with the relevant clients.

The following table sets forth the aging analysis of our trade payables based on the invoice date, as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Within 1 year	212,759	551,834	521,280	528,985
1 to 2 years	61,100	5,044	1,464	2,178
2 to 3 years	1,522	2,148	134	203
Over 3 years	181	1,009	771	845
Total	<u>275,562</u>	<u>560,035</u>	<u>523,649</u>	<u>532,211</u>

Bills Payables

Our bills payables primarily consist of bank acceptance bills and letter of credit made in the ordinary course of our business, mainly attributable to payables to game developers and to collaborating media platforms for marketing and promotion activities.

Our bills payables increased by 3.9% from RMB5,640.2 million as of December 31, 2022 to RMB5,861.7 million as of April 30 2023, mainly because we increased the use of bank acceptance bills as one of our main payment methods to collaborating media platforms.

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Our bills payables increased by 64.8% from RMB3,422.1 million as of December 31, 2021 to RMB5,640.2 million as of December 31, 2022, mainly to our game developer clients and collaborating media platforms, which was in line with our business expansion in 2022.

Our bills payables increased by 97.8% from RMB1,730.0 million as of December 31, 2020 to RMB3,422.1 million as of December 31, 2021, to our game developer clients and collaborating media platforms, which was in line with our business expansion in 2021.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payables for marketing and promotion activities, (ii) salaries and benefits payables to employees, (iii) contract liabilities associated with deferred revenue generated from self-owned game product, (iv) prepayments received from collaborating distribution channels for certain game product; (v) payables for amounts collected on behalf of third-party publisher client, (vi) other tax payables, and (vii) other payables and accruals incurred in the ordinary course of our business.

Our payables for amounts collected on behalf of third party publishers during the Track Record Period were primarily payables for amounts collected on behalf of Zhejiang Zhengyou Internet Technology Co. Ltd. (浙江爭遊網絡科技有限公司) (“**Zhejiang Zhengyou**”). Leveraging our scalable and reliable intelligence technologies, we began to provide marketing and operation support services for Zhejiang Zhengyou’s game products in 2017, and charged service fees based on a certain percentage of the gross amounts paid by the end users. Pursuant to our business arrangement with Zhejiang Zhengyou and on its behalf, we (i) collect gross billings from the end users, and (ii) advance promotional fees to advertising agencies. During the Track Record Period, we recorded payables due to Zhejiang Zhengyou because the gross billings we collected on its behalf exceeded the amount of promotional fees we advanced to advertising agencies on its behalf. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our payables to Zhejiang Zhengyou were RMB511.4 million, RMB203.9 million, nil and nil, respectively.

We terminated the service agreement with Zhejiang Zhengyou in 2021, primarily because the relevant game products had gradually entered into the maturity stage of their lifecycles and no longer required a significant amount of marketing and operation support services. There were no disputes leading to or arising from the termination of our collaboration with Zhejiang Zhengyou. According to Frost & Sullivan, the business arrangement above is in line with the industry norm. As concurred by the Company, taking into account the service agreement with Zhejiang Zhengyou was freely negotiated between the parties thereto and terminated in 2021 without any dispute, and payables for amounts collected on behalf of Zhejiang Zhengyou has been all paid and settled, our PRC Legal Adviser advised that the service agreement: (i) was validly entered into between the related parties thereto, (ii) did not fall under the circumstance of invalidity as set forth in the Contract Law of the PRC or the Civil Code of the PRC as applicable, and (iii) was binding upon both of the parties thereto. Based on the above analysis, our Directors are of the view that this business arrangement with Zhejiang Zhengyou was in compliance with the applicable PRC laws and regulations.

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The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Marketing and promotion services payables	239,911	411,315	472,498	441,238
Salaries and benefits payables	44,559	104,758	140,940	106,247
Contract liabilities	—	—	117,712	162,114
Prepayments from suppliers	—	—	13,319	10,273
Payables for amounts collected on behalf of third-party publishers ⁽¹⁾	556,325	203,874	—	—
Other tax payables	57,511	96,431	49,362	59,595
Other payables and accruals	62,771	126,746	107,388	61,260
Total	<u>961,077</u>	<u>943,124</u>	<u>901,219</u>	<u>840,727</u>

Note:

- (1) Primarily including payables to Zhejiang Zhengyou Internet Technology Co. Ltd. of RMB511.4 million, RMB203.9 million, nil and nil as of the respective date.

Our other payables and accruals decreased by 6.7% from RMB901.2 million as of December 31, 2022 to RMB840.7 million as of April 30, 2023, primarily due to (i) a decrease of RMB31.3 million in payables for marketing and promotion services in line with the decrease of marketing and promotion activities in the four months ended April 30, 2023; (ii) a decrease of RMB34.7 million in salaries and benefits payables in line with the decrease of employee headcount in 2023; and (iii) a decrease of RMB46.1 million in other payables and accruals incurred in the ordinary course of our business, which was in line with the revenue decline for the same period, partially offset by an increase of RMB44.4 million in contract liabilities associated with the decreased deferred revenue generated from self-owned game product in the four months ended April 30, 2023.

Our other payables and accruals decreased by 4.4% from RMB943.1 million as of December 31, 2021 to RMB901.2 million as of December 31, 2022, primarily due to a decrease of RMB203.9 million in payables for amounts collected on behalf of third-party publishers, due to the settlement made to Zhejiang Zhengyou as we terminated our collaboration with it in 2021, partially offset by (i) an increase of RMB61.2 million in payables for marketing and promotion activities as a result of our business expansion; (ii) an increase of RMB117.7 million in contract liabilities associated with the increased deferred revenue generated from self-owned game product in 2022; and (iii) an increase of RMB36.2 million in salaries and benefits payables in line with the increase of employee headcount in 2022 as a result of our business expansion.

Our other payables and accruals decreased by 1.9% from RMB961.1 million as of December 31, 2020 to RMB943.1 million as of December 31, 2021, primarily due to a decrease of RMB352.4 million in payables for amounts collected on behalf of third-party publishers, due

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to the settlement made to Zhejiang Zhengyou as we terminated our collaboration with it in 2021, partially offset by (i) an increase of RMB171.4 million in payables for marketing and promotion activities, in line with our business expansion in 2021; (ii) an increase of RMB60.2 million in salaries and benefits payables in line with the increase of employee headcount in 2021 as a result of our business expansion; and (iii) an increase of RMB64.0 million in other payables and accruals incurred in the ordinary course of our business, which was in line with our revenue growth.

As of June 30, 2023, RMB643.7 million, or 76.6% of our other payables and accruals as of April 30, 2023 had been settled subsequently. As of June 30, 2023, RMB127.8 million, or 78.8% of our contract liabilities as of April 30, 2023 had been recognized as revenue.

Tax Payable

Our tax payable primarily consists of income tax payable. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our tax payable amounted to RMB93.7 million, RMB146.9 million, RMB247.8 million and RMB346.8 million, respectively.

Our tax payable increased from RMB93.7 million as of December 31, 2020 to RMB146.9 million as of December 31, 2021, and further increased to RMB247.8 million as of December 31, 2022. The increases were primarily attributable to the following reasons. First, our profit before tax increased from 2020 to 2022, which was in line with our business growth. Second, the income tax rate of Jiangxi Tanwan increased from 15% to 25% as it did not qualify for the HNTE preferential tax rate in 2022. Third, we made our annual tax fillings and settled our income tax for 2020 and 2021 based on accounting profit, which has deducted the one-off share-based expense. Accordingly, additional provisions were made to reflect the adjustments of such non-deductible expenses for tax, resulting in increases in tax payable during this period. We have made our annual tax filing for the year of 2022 and expect to settle income tax payable accordingly.

Our tax payable increased from RMB247.8 million as of December 31, 2022 to RMB346.8 million as of April 30, 2023, primarily in line with the increase of income tax in the four months ended April 30, 2023.

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Non-Current Assets/Liabilities

The following table sets forth our non-current assets and non-current liabilities as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>April 30,</u>
	<i>(RMB in thousands)</i>			
NON-CURRENT ASSETS				
Property and equipment	24,571	45,231	79,169	183,802
Right-of-use assets	128,350	189,404	180,229	141,013
Goodwill	—	42,499	42,499	42,499
Other intangible assets	6,897	33,827	43,734	38,350
Investment in joint ventures	268,041	259,758	267,188	266,704
Investment in associates	5,816	4,870	5,992	4,276
Deferred tax assets	5,867	40,917	47,857	48,443
Prepayments, other receivables and other assets	239,473	117,636	119,183	161,768
Pledged deposits	876,395	2,022,247	3,395,558	3,006,106
Restricted cash	17,943	10,000	—	—
Total non-current assets	<u>1,573,353</u>	<u>2,766,389</u>	<u>4,181,409</u>	<u>3,892,961</u>
NON-CURRENT LIABILITIES				
Lease liabilities	137,177	182,508	190,754	153,061
Provision	300	11,710	9,150	3,150
Total non-current liabilities	<u>137,477</u>	<u>194,218</u>	<u>199,904</u>	<u>156,211</u>

Property and Equipment

Property and equipment consist of the following:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>April 30,</u>
	<i>(RMB in thousands)</i>			
Electronic devices	8,726	9,109	8,578	7,123
Furniture and fixtures	1,655	2,175	1,942	1,404
Motor vehicles	1,124	5,952	9,293	12,768
Leasehold improvements	13,066	27,995	26,400	20,515
Buildings	—	—	32,956	32,617
Construction in progress	—	—	—	109,375
Total	<u>24,571</u>	<u>45,231</u>	<u>79,169</u>	<u>183,802</u>

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Our property and equipment increased significantly from RMB79.2 million as of December 31, 2022 to RMB183.8 million as of April 30, 2023, primarily due to an increase of RMB109.4 million in construction in progress in relation to an office building located in Guangzhou. Our property and equipment increased by 75.0% from RMB45.2 million as of December 31, 2021 to RMB79.2 million as of December 31, 2022, primarily due to an increase of RMB33.0 million in buildings we purchased and used as our employee dormitories. Our property and equipment increased by 84.1% from RMB24.6 million as of December 31, 2020 to RMB45.2 million as of December 31, 2021, primarily due to an increase of RMB14.9 million in leasehold improvements as a result of the new office remodeling.

Right-of-Use Assets

Our right-of-use assets represent carrying amounts of long-term leased offices for our operations. These leases have a fixed term of two to 15 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, we apply the definition of a contract and determine the period for which the contract is enforceable.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their respective estimated useful life and the lease term. In addition, we reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the Track Record Period, there was no such triggering event. See note 14 to the Accountants’ Report in Appendix I to this document for a detailed description of the change of right-of-use assets during the Track Record Period.

Our right-of-use assets increased by 47.5% from RMB128.4 million as of December 31, 2020 to RMB189.4 million as of December 31, 2021, primarily due to the new lease agreements we entered into with lease terms ranging from two to five years. Our right-of-use assets remained relatively stable at RMB189.4 million as of December 31, 2021 and RMB180.2 million as of December 31, 2022. Our right-of-use assets decreased by 21.8% from RMB180.2 million as of December 31, 2022 to RMB141.0 million as of April 30, 2023, primarily due to the termination of certain office leases in 2023.

Goodwill

We record goodwill primarily in connection with acquisitions. We did not record goodwill in 2020 and recorded a goodwill of RMB42.5 million as of December 31, 2021, due to the acquisitions of (i) a 100% interest in Guangzhou Chichi in September 2021; (ii) a 51% interest in Hainan Zhangwan in March 2021; and (iii) a 51% interest in Guangzhou Bajiuyou in June 2021. As of April 30, 2023, the goodwill remained at RMB42.5 million.

Goodwill acquired through business combinations is allocated to cash-generating unit, namely Guangzhou Chichi cash-generating unit and Hainan Zhangwan Guangzhou cash-generating unit for impairment testing. The recoverable amounts of the cash-generating unit has

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been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to the cash flow projections, the revenue growth rate, EBIT margin and the terminal growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period are as follows:

Guangzhou Chichi CGU:

	<u>As of December 31, 2021</u>	<u>As of December 31, 2022</u>	<u>As of April 30, 2023</u>
Compound revenue growth rate	25.54%	30.38%	30.30%
EBIT margin	(2%)~4%	(1%)~4%	(1%)~4%
Pre-tax discount rate	29.56%	30.83%	29.74%
Terminal growth rate	3%	3%	3%

Hainan Zhangwan CGU:

	<u>As of December 31, 2021</u>	<u>As of December 31, 2022</u>	<u>As of April 30, 2023</u>
Compound revenue growth rate	7.08%	5.37%	4.47%
EBIT margin	1%~3%	2%~3%	3%~5%
Pre-tax discount rate	31.49%	32.96%	35.44%
Terminal growth rate	3%	3%	3%

Key assumptions used in the value in use calculation

Revenue growth rate — the rate is based on the average growth achieved in the past years and the synergies from new acquisitions.

EBIT margin — EBIT margin is based on the average EBIT margin achieved in the year immediately before the budget year and is increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rate — the rate reflects management’s estimate of the risks specific to the unit.

Terminal growth rate — the rate is based on published industry research.

The values assigned to the key assumptions on gross profit margin, discount rates and growth rates are consistent with management’s past experience and external information sources.

As of April 30, 2023, the recoverable amount of Guangzhou Chichi cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB17,765,000, and the recoverable amount of Hainan Zhangwan cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB27,157,000.

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As of December 31, 2021, the recoverable amount of Guangzhou Chichi cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB22,083,000, and the recoverable amount of Hainan Zhangwan cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB60,806,000.

As of December 31, 2022, the recoverable amount of Guangzhou Chichi cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB37,939,000, and the recoverable amount of Hainan Zhangwan cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB75,678,000.

Decreases in the revenue growth rate or EBIT margin as follows (with other assumptions remaining unchanged) would result in Guangzhou Chichi cash-generating unit’s recoverable amount equal to its carrying amount:

	As of December 31, 2021	As of December 31, 2022	As of April 30, 2023
	<i>Increase/(decrease)</i>	<i>Increase/(decrease)</i>	<i>Increase/(decrease)</i>
Compound revenue growth rates	(15.14%)	(16.27%)	(8.37%)
EBIT margin	(1.31%)	(1.53%)	(0.70%)

Decreases in the revenue growth rate or EBIT margin as follows (with other assumptions remaining unchanged) would result in Hainan Zhangwan cash-generating unit’s recoverable amount equal to its carrying amount:

	As of December 31, 2021	As of December 31, 2022	As of April 30, 2023
	<i>Increase/(decrease)</i>	<i>Increase/(decrease)</i>	<i>Increase/(decrease)</i>
Compound revenue growth rates	(1.41%)	(7.15%)	(12.59%)
EBIT margin	(1.85%)	(2.71%)	(3.69%)

In the opinion of the Directors, except for the above, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit’s carrying amount to exceed its recoverable amount as of December 31, 2021 and 2022 and April 30, 2023.

Other Intangible Assets

Our other intangible assets primarily consist of intangible assets other than goodwill, such as computer software, domain names, copyrights and game operation agreements. Our other intangible assets decreased by 12.1% from RMB43.7 million as of December 31, 2022 to RMB38.4 million as of April 30, 2023, primarily attributable to the amortization of certain intangible assets, partially offset by an increase of RMB6.5 million in computer software we purchased in the four months ended April 30, 2023. Our other intangible assets increased by 29.3% from RMB33.8 million as of December 31, 2021 to RMB43.7 million as of December 31,

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2022, primarily due to our acquisition of the copyrights and other intellectual property rights associated with a game product. Our other intangible assets increased significantly from RMB6.9 million as of December 31, 2020 to RMB33.8 million as of December 31, 2021 primarily due to the recognition of other intangible assets arising from certain acquisitions in 2021.

Long-Term Equity Investments

Long-term equity investments represent our share of interest in the associate and joint ventures we invest in. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our long-term equity investments amounted to RMB273.9 million, RMB264.6 million, RMB273.2 million and RMB271.0 million, respectively. See note 17 and note 18 to the Accountants’ Report in Appendix I to this document for more details.

Prepayments, Other Receivables and Other Assets (Non-Current Portion)

The non-current portion of our prepayments, other receivables and other assets consists of (i) loans to employees; (ii) prepayments for property and equipment; (iii) time deposits with original maturity of over one year; (iv) prepayments for other intangible assets; and (v) deposits and other receivables.

The following table sets forth the non-current portion of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	April 30,
				2023
	<i>(RMB in thousands)</i>			
Non-current				
Loans to employees	48,107	20,684	1,996	1,935
Prepayments for property and equipment	39,367	39,367	109,376	—
Deposits and other receivables	1,815	7,865	7,811	13,961
Time deposits with original maturity of over one year	150,184	34,720	—	101,751
Prepayments for other intangible assets	—	15,000	—	—
Prepayments for right-of-use assets	—	—	—	44,121
	239,473	117,636	119,183	161,768
Less: allowance for impairment	—	—	—	—
Total	239,473	117,636	119,183	161,768

The non-current portion of our prepayments, other receivables and other assets increased by 35.7% from RMB119.2 million as of December 31, 2022 to RMB161.8 million as of April 30, 2023, primarily due to an increase of RMB101.8 million in time deposits with original maturity

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of over one year in the four months ended April 30, 2023; and (ii) an increase of RMB44.1 million in prepayments for right-of-use assets as we planned to make new lease of office for our employees, partially offset by a decrease of RMB109.4 million in prepayments for property and equipment in relation to an office building located in Guangzhou.

The non-current portion of our prepayments, other receivables and other assets increased by 1.4% from RMB117.6 million as of December 31, 2021 to RMB119.2 million as of December 31, 2022, primarily due to an increase of RMB70.0 million in prepayments for property and equipment as a result of advance payments made for properties used for employee dormitories and offices in 2022, partially offset by (i) a decrease of RMB34.7 million in time deposits with a maturity of over one year in 2022; (ii) a decrease of RMB18.7 million in loans to employees, as a result of repayment; and (iii) a decrease of RMB15.0 million in prepayments for other intangible assets, mainly because we made prepayments for certain intangible assets in 2021 to support our business expansion and we did not make prepayments for purchasing intangible assets in 2022.

The non-current portion of our prepayments, other receivables and other assets decreased by 50.9% from RMB239.5 million as of December 31, 2020 to RMB117.6 million as of December 31, 2021, primarily due to a decrease of RMB115.5 million in time deposits with a maturity of over one year in 2021.

As of June 30, 2023, RMB3.8 million, or 2.3% of our non-current portion of prepayments, other receivables and other assets as of April 30, 2023 had been settled subsequently.

As of June 30, 2023, RMB0.5 million, or 26.3% of our loans to employees as of April 30, 2023 had been settled subsequently. During the Track Record Period and up to the Latest Practicable Date, our loans to employees (excluding the petty cash), based on friendly negotiation and agreement with the borrowers, were furnished with our own funds and used for the respective employees’ personal needs. For the loans that had been settled, we did not demand any interest from the employees. For the loans yet to be settled, we will not require the employees to pay any interest if they repay the loans on or before the maturity date. As of the Latest Practicable Date, there had been no dispute arising from such loans. Therefore, our PRC Legal Adviser has advised us that such loans provided by our PRC subsidiaries to employees did not breach mandatory provisions under applicable PRC laws. Based on the above, our Directors are of the view that our loans to employees during the Track Record Period and up to the Latest Practicable Date were in compliance with the relevant applicable laws and regulations.

Pledged Deposits (Non-Current Portion)

Our non-current pledged deposits primarily consist of deposits with a maturity of over one year held in designated bank accounts for discounted bills and bills payables.

The non-current portion of our pledged deposits was RMB876.4 million, RMB2,022.2 million, RMB3,395.6 million and RMB3,006.1 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The increase in pledged deposits were primarily for securing the bills required for our business operations and expansion.

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Lease Liabilities

Our non-current lease liabilities represent the payment obligations on our leases with a term of more than one year in relation to properties that we lease primarily for our offices. Our non-current lease liabilities increased by 33.0% from RMB137.2 million as of December 31, 2020 to RMB182.5 million as of December 31, 2021, and further increased to RMB190.8 million as of December 31, 2022. The changes were primarily due to the new leases we entered into with lease terms ranging from two to five years in 2021 and 2022. Our non-current lease liabilities decreased by 19.8% from RMB190.8 million as of December 31, 2022 to RMB153.1 million as of April 30, 2023, primarily due to the termination of certain office leases in 2023.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios for the year/period and as of the dates indicated:

	For the Year Ended			For the	
	December 31,			Four	
	2020	2021	2022	Months	
	December 31,			Ended	
	2020	2021	2022	2022	2023
Total revenue growth (%)	(4.5)	99.7	53.7	—	(14.0)
Gross profit margin (%) ⁽¹⁾	84.9	82.6	72.7	74.1	67.3
Net profit margin (%) ⁽²⁾	(45.3)	10.7	5.6	4.4	9.9
Adjusted profit margin (Non-HKFRS measure) (%) ⁽³⁾	17.9	10.9	6.4	4.6	13.5
				As of	
				December 31,	
	2020	2021	2022	April 30,	
				2023	
Current ratio ⁽⁴⁾	0.7	0.7	0.7	0.8	

Notes:

- (1) Gross profit margin equals gross profit divided by revenues for the year/period and multiplied by 100%.
- (2) Net profit margin equals (loss)/profit divided by revenues for the year/period and multiplied by 100%.
- (3) Adjusted profit margin (Non-HKFRS measure) equals adjusted profit (Non-HKFRS measure) divided by revenues for the year/period and multiplied by 100%.
- (4) Current ratio is calculated as total current assets divided by total current liabilities as of the dates indicated.

Total Revenue Growth

We experienced a significant revenue growth in 2021 and 2022, which was primarily attributable to the launch, marketing and operation of new game products, and continuous

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operation and performance of existing game products. The negative total revenue growth in 2020 was primarily due to changes in our clients’ development timetable for certain game products as a result of the COVID-19 outbreak. The negative total revenue growth for the four months ended April 30, 2023 compared to the same period in 2022 was primarily because certain game products entered into a later stage of their lifecycle. For details on the fluctuations of our revenue, see “— Period to Period Comparison of Results of Operations.”

Gross Profit Margin

The decrease of our overall gross profit margin from 2020 to 2022 was primarily due to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue, and the decrease in the gross profit margin for game products operated under the joint-run model. The decrease of our gross profit margin for the four months ended April 30, 2023 as compared to the four months ended April 30, 2022 was primarily due to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue. For details, see “— Period to Period Comparison of Results of Operations.”

Net Profit Margin

We incurred a net loss of RMB1,301.1 million for the year ended December 31, 2020, primarily due to a one-off share-based compensation issued in 2020. The net profit margin for the year ended December 31, 2022 was 5.6%, compared to 10.7% for the year ended December 31, 2021, primarily due to the decrease in gross profit margin. The net profit margin for the four months ended April 30, 2023 was 9.9%, compared to 4.4% for the four months ended April 30, 2022, primarily due to the increase in other income and gains and the decrease in selling and distribution expenses. For details on the changes in each key components which led to fluctuations in our net profit margin during the Track Record Period, see “— Period to Period Comparison of Results of Operations.”

Adjusted Profit Margin (Non-HKFRS Measure)

We define adjusted profit (Non-HKFRS measure) as the profit/(loss) for the year/period, excluding share-based compensation and [REDACTED] expenses. The higher adjusted profit margin (Non-HKFRS measure) in 2020 was primarily due to a decrease in marketing and promotion expenses in 2020 as we streamlined and optimized our selling and distribution activities in response to the COVID-19 outbreak in 2020 and the delay of the launch times of certain game products for slower development progresses than expected as a result of the COVID-19 outbreak in early 2020. The adjusted profit margin (Non-HKFRS measure) for the year ended December 31, 2022 was 6.4%, compared to 10.9% for the year ended December 31, 2021, which was primarily due to the decrease in gross profit margin. The adjusted profit margin (Non-HKFRS measure) for the four months ended April 30, 2023, was 13.5%, compared to 4.6% for the four months ended April 30, 2022, which was primarily due to a higher net profit margin for the four months ended April 30, 2023, further adjusted by a one-off share-based compensation issued in the four months ended April 30, 2023. For details on the reconciliations of our non-HKFRS measures, see “— Adjusted Profit (Non-HKFRS measure) for the Year/Period.”

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Current Ratio

Current ratio is calculated as total current assets divided by total current liabilities. Our current ratio was lower than 1 throughout the Track Record Period as a result of our net current liabilities position, which was primarily because a significant portion of our pledged deposits used to secure our bills payables and interest-bearing bank borrowings were interest-bearing time deposits with a term exceeding one year and therefore recorded as non-current assets. To the extent our liquidity and working capital needs are met, we believe that time deposits, compared to demand deposits, can help us better utilize our idle cash by earning a higher interest. During the Track Record Period, our current ratio remained stable. For details on our net current liability position, including our cash management policy with respect to pledged deposits, see “— Discussion on Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities.”

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our cash requirements principally from cash generated from operating activities. Our cash and cash equivalents represent cash and bank balances, net of restricted cash. We had cash and cash equivalents of RMB393.5 million, RMB693.6 million, RMB213.4 million and RMB399.3 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, funds raised from the capital markets from time to time and the [REDACTED] received from the [REDACTED]. We currently do not have any other plans for material additional external financing.

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The following table sets forth our cash flows for the year/periods indicated:

	For the Year Ended			For the Four Months	
	December 31,			Ended April 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Operating cash flows before movements in working capital	562,788	707,524	646,751	156,744	219,436
Changes in working capital	<u>(813,519)</u>	<u>2,010,407</u>	<u>1,736,948</u>	<u>1,114,019</u>	<u>167,624</u>
Cash (used in)/ generated from operations	(250,731)	2,717,931	2,383,699	1,270,763	387,060
Interest received	3,014	6,953	6,065	1,954	1,256
Interest paid	(45,430)	(47,946)	(89,893)	(24,869)	(31,628)
Income tax paid	<u>(8,380)</u>	<u>(42,107)</u>	<u>(17,350)</u>	<u>(85)</u>	<u>(16,230)</u>
Net cash (used in)/generated from operating activities	(301,527)	2,634,831	2,282,521	1,247,763	340,458
Net cash generated from /(used in) investing activities	689,727	(2,302,397)	(3,205,834)	(1,984,148)	56,497
Net cash (used in)/generated from financing activities	<u>(25,462)</u>	<u>(32,298)</u>	<u>443,127</u>	<u>404,108</u>	<u>(211,107)</u>
Net increase/(decrease) in cash and cash equivalents	362,738	300,136	(480,186)	(332,277)	185,848
Cash and cash equivalents at the beginning of the year/period	<u>30,734</u>	<u>393,472</u>	<u>693,608</u>	<u>693,608</u>	<u>213,422</u>
Cash and cash equivalents at the end of year/period	<u>393,472</u>	<u>693,608</u>	<u>213,422</u>	<u>361,331</u>	<u>399,270</u>

Net Cash (Used in)/Generated from Operating Activities

For the four months ended April 30, 2023, our net cash generated from operating activities was RMB340.5 million. Our net profit before tax was RMB356.8 million for the same period. The difference between our net profit before tax and our net cash generated from operating activities was primarily attributable to certain non-operating or non-cash items, including (i) gain on disposal of financial assets at FVTPL of RMB327.0 million; (ii) fair value loss on financial assets at FVTPL of RMB99.2 million; and (iii) equity-settled share-based expenses of RMB70.6 million, and changes in certain working capital items, including (i) increase in bills payables of RMB221.5 million; (ii) decrease in trade receivables of RMB118.6 million; and (iii) increase in prepayments, other receivables and other assets of RMB113.4 million.

In 2022, our net cash generated from operating activities was RMB2,282.5 million. Our net profit before tax was RMB601.6 million for the same year. The difference between our net profit before tax and our net cash generated from operating activities was primarily attributable to certain non-cash expenses and income, including (i) bank interest income of RMB189.1 million;

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(ii) finance costs of RMB107.9 million; (iii) amortization of other intangible assets of RMB50.8 million; (iv) equity-settled share-based expense of RMB42.9 million; and (v) depreciation of right-of-use assets of RMB31.1 million, and changes in certain working capital items, including (i) increase in bills payables of RMB2,218.1 million; (ii) increase in prepayments, other receivables and other assets of RMB235.1 million; and (iii) increase in trade and bills receivables of RMB156.3 million.

In 2021, our net cash generated from operating activities was RMB2,634.8 million. Our net profit before tax was RMB680.1 million for the same year. The difference between our net profit before tax and our net cash generated from operating activities was primarily attributable to certain non-cash expenses and income, including (i) bank interest income of RMB94.4 million; (ii) finance costs of RMB56.0 million; (iii) amortization of other intangible assets of RMB28.4 million; (iv) depreciation of right-of-use assets of RMB18.6 million; and (v) share of profits and losses of a joint venture and associates of RMB11.7 million, and changes in certain working capital items, including (i) increase in bills payables of RMB1,692.2 million; (ii) decrease in prepayments, other receivables and other assets of RMB199.5 million; (iii) increase in trade payables of RMB83.8 million; (iv) decrease in restricted cash of RMB70.9 million; and (v) decrease in other payables and accruals of RMB49.9 million.

In 2020, our net cash used in operating activities was RMB301.5 million. Our net loss before tax was RMB1,223.8 million for the same year. The difference between our net loss before tax and our net cash generated from operating activities was primarily attributable to certain non-cash expenses and income, including (i) equity-settled share-based expense of RMB1,816.1 million; (ii) gain on disposal of financial assets at FVTPL of RMB59.2 million; (iii) finance costs of RMB51.6 million; and (iv) bank interest income of RMB34.1 million, and changes in certain working capital items, including (i) decrease in bills payables of RMB996.9 million; (ii) increase in other payables and accruals of RMB352.2 million; and (iii) increase in trade receivables of RMB132.1 million.

Net Cash Generated from/(Used in) Investing Activities

For the four months ended April 30, 2023, net cash generated from investing activities was RMB56.5 million, primarily due to (i) disposal of financial assets at FVTPL of RMB1,688.6 million; and (ii) interest received of RMB53.5 million, partially offset by (i) purchase of financial assets at FVTPL of RMB1,467.4 million; and (ii) increase in pledged time deposits of RMB209.3 million.

In 2022, net cash used in investing activities was RMB3,205.8 million, primarily due to (i) purchase of financial assets at FVTPL of RMB7,053.1 million; and (ii) an increase in pledged time deposits of RMB3,140.3 million, partially offset by disposal of financial assets at FVTPL of RMB6,914.0 million.

In 2021, net cash used in investing activities was RMB2,302.4 million, primarily due to (i) purchase of investment in joint ventures of RMB3,880.6 million; (ii) an increase in pledged time deposits of RMB1,840.9 million, partially offset by disposal of financial assets at FVTPL of RMB3,351.4 million.

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In 2020, net cash generated from investing activities was RMB689.7 million, primarily due disposal of financial assets at FVTPL of RMB4,738.8 million, partially offset by (i) purchase of financial assets at FVTPL of RMB2,645.1 million; (ii) an increase in pledged time deposits of RMB1,019.2 million; and (iii) purchase of an investment in joint ventures of RMB263.8 million.

Net Cash (Used in)/Generated from Financing Activities

For the four months ended April 30, 2023, net cash used in financing activities was RMB211.1 million, primarily due to (i) repayment of bank loans of RMB166.2 million; (ii) prepayment for right-of-use assets of RMB44.1 million; (iii) increase in restricted cash of RMB27.4 million, partially offset by new bank loans of RMB53.0 million.

In 2022, net cash generated from financing activities was RMB443.1 million, primarily due to new bank loans of RMB856.1 million, partially offset by repayment of bank loans of RMB385.6 million.

In 2021, net cash used in financing activities was RMB32.3 million, primarily due to (i) dividends paid to then shareholders of RMB100.0 million; (ii) principal portion of lease payments of RMB8.7 million; and (iii) interest portion of lease payments of RMB8.1 million, partially offset by new bank loans of RMB91.2 million.

In 2020, net cash used in financing activities was RMB25.5 million, primarily due to (i) an increase in restricted cash of RMB12.9 million; (ii) principal portion of lease payments of RMB6.4 million; and (iii) interest portion of lease payments of RMB6.2 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

	As of December 31,			As of April 30,	As of June 30,
	2020	2021	2022	2023	2023
	<i>(RMB in thousands)</i>				<i>(Unaudited)</i>
Current liabilities					
Interest-bearing bank borrowings	—	89,950	555,844	442,716	350,980
Amounts due to related parties	—	64	—	—	—
Lease liabilities	2,134	27,793	21,247	19,010	19,868
	2,134	117,807	577,091	461,726	370,848
Non-current liabilities					
Lease liabilities	137,177	182,508	190,754	153,061	150,448
Total indebtedness⁽¹⁾	139,311	300,315	767,845	614,787	521,296

Note:

- (1) For a discussion on our contingent liabilities, see “— Indebtedness and Contingent Liabilities — Contingent Liabilities.”

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Indebtedness

Interest-bearing Bank Borrowings

As of December 31, 2020, 2021 and 2022, April 30, 2023 and June 30, 2023, we had interest-bearing bank and other borrowings of nil, RMB90.0 million, RMB555.8 million, RMB550.9 million, RMB442.7 million and RMB351.0 million, respectively. During the Track Record Period, we did not borrow any bank loans. Our interest-bearing bank borrowings are with respect to bill discounting provided by commercial banks to the Company, which was fully secured by pledges, during the ordinary course of business. As of the Latest Practicable Date, we did not have unutilized banking facilities.

Amount due to Related Parties

As of December 31, 2020, 2021 and 2022, April 30, 2023 and June 30, 2023, we had amounts due to related parties of nil, RMB64 thousand, nil, nil, nil and nil, respectively. These amounts due to related parties were trade in nature and repayable within 180 days. For details on our related party transactions, see “— Material Related Party Transactions” and note 36 to the Accountants’ Report in Appendix I to this document.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease for our offices. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		As of April 30,	As of June 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
	<i>(Unaudited)</i>			
Current	2,134	27,793	21,247	19,010
Non-current	137,177	182,508	190,754	153,061
Total	<u>139,311</u>	<u>210,301</u>	<u>212,001</u>	<u>172,071</u>
				<u>170,316</u>

During the Track Record Period and as of the Latest Practicable Date, none of our creditors of the indebtedness described above have claimed default against us to the best of our knowledge. Our Directors also confirm that we did not experience difficulty in obtaining borrowings, material default in payment on borrowings, bonds payable, payables to related parties, lessors, financial institutions or investors during the Track Record Period and up to the Latest Practicable Date.

Save as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or

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hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of June 30, 2023.

Contingent Liabilities

As of December 31, 2020, 2021 and 2022, April 30, 2023 and June 30, 2023, except for the civil litigation explicated below which is still ongoing and our PRC litigation expert had advised that it is highly likely we will not undertake monetary damages and therefore no provision was made, we did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of our Company. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company subsequent to June 30, 2023 and up to the Latest Practicable Date.

In March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the High People’s Court of Fujian Province alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate the PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. The plaintiff sought (i) an injunction against the future operation of the marketing website; and (ii) RMB100.5 million in monetary damages from us and the other co-defendants. This lawsuit was still at its early stage and it remains unclear whether the court had subject matter jurisdiction as of the Latest Practicable Date. With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that, (i) we are not a party to the collaboration agreement or any other ancillary documents at issue; and (ii) we are not involved in the establishment or operation of the website at issue or other allegedly infringing conducts of our joint ventures at issue; and (iii) it is highly likely that the court will rule in our favor and we will not undertake monetary damages.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years/periods indicated:

	For the Year Ended December 31,			For the Four Months Ended April 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Payments for property and equipment	45,065	26,312	124,132	5,442	5,368
Payments for other intangible assets	—	23,127	45,684	45,235	6,546
Total	<u>45,065</u>	<u>49,439</u>	<u>169,816</u>	<u>50,677</u>	<u>11,914</u>

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Our capital expenditure in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023 was RMB45.1 million, RMB49.4 million, RMB169.8 million, RMB50.7 million and RMB11.9 million, respectively, primarily due to payments for purchase of property and equipment and other intangible assets.

We expect that our capital expenditures for the year ending December 31, 2023 will primarily consist of purchase of equipment and intangible assets. We intend to fund our future capital expenditures and long-term investments with our existing cash balance, cash generated from operating activities, and [REDACTED] from the [REDACTED]. See “Future Plans and Use of [REDACTED]” for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Other than the items disclosed below, we had no material capital commitments as of December 31, 2020, 2021 and 2022 and April 30, 2023.

	As of December 31,			As of
	2020	2021	2022	April 30,
	2023			
	<i>(RMB in thousands)</i>			
Contracted, but not provided for:				
Capital contributions payable to joint ventures	90,000	—	—	—
Capital contributions payable to associates	7,000	15,000	29,000	19,200
Intangible assets	—	35,000	—	—
Total	<u>97,000</u>	<u>50,000</u>	<u>29,000</u>	<u>19,200</u>

Lease Contracts

We have various lease contracts that had not yet commenced as of April 30, 2023. See note 14 in Appendix I to this document for details.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in note 36 to the Accountants’ Report

FINANCIAL INFORMATION

in Appendix I to this document was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors believe that our transactions with related parties in 2020, 2021, 2022 and the four months ended April 30, 2023, did not distort our results of operations or make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks including credit risk and liquidity risk in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details of the risks to which we are exposed, see note 39 to the Accountants’ Report set out in Appendix I in this document.

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED] per [REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] is approximately RMB[REDACTED], representing [REDACTED]% of the total [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (RMB[REDACTED]). We had incurred [REDACTED] expenses of RMB63.2 million as of April 30, 2023, of which RMB54.3 million has been charged to our consolidated statements of profit or loss and other comprehensive income and RMB8.9 million will be deducted from equity. A total of RMB[REDACTED] of our [REDACTED] expenses are expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. We expect to incur additional [REDACTED] expenses of approximately RMB[REDACTED], of which RMB[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] will be deducted from equity. The balance of the [REDACTED]-related expenses of approximately RMB[REDACTED], which mainly includes [REDACTED], is expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. The balance of the non-[REDACTED]-related expenses of approximately RMB[REDACTED] primarily include fees and expenses of legal advisers and accountants of RMB[REDACTED] and other fees and expenses of RMB[REDACTED].

DIVIDEND POLICY

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the profit for the year/period determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

We paid a total of dividends of RMB100.0 million in respect of the year ended December 31, 2020. Other than that, no dividends had been paid or declared by us since our

FINANCIAL INFORMATION

incorporation, or by any of the subsidiaries of our Group during the Track Record Period. Any dividends declared in the past is not indicative of our future dividend policy. The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our shareholders. Our Board has the absolute discretion to recommend any dividend. We do not have any pre-determined dividend pay-out ratio and dividend policy.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, internally generated funds, available facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our net cash generated from operating activities were RMB2,634.8 million and RMB2,282.5 million, RMB1,247.8 million and RMB340.5 million, respectively, in 2021, 2022 and the four months ended April 30, 2022 and 2023. Our net cash used in operating activities was RMB301.5 million in 2020. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

DISTRIBUTABLE RESERVES

As of April 30, 2023, we did not have any distributable reserves.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out below to illustrate the effect of the [REDACTED] on the consolidated tangible assets as of April 30, 2023, as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of our financial position had the [REDACTED] been completed as of April 30, 2023 or at any future dates.

FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on our consolidated net tangible assets as of April 30, 2023 as derived from the Accountants’ Report as set out in Appendix I to this document, and adjusted as follows:

	Consolidated net tangible assets attributable to owners of the Company as at April 30, 2023 ⁽¹⁾	Estimated [REDACTED] from the [REDACTED] ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share ⁽³⁾	
	RMB’000	RMB’000	RMB’000	RMB	HK\$ ⁽⁴⁾
	Based on an [REDACTED] of HK\$[REDACTED] per Share	1,941,976	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	1,941,976	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	1,941,976	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) Our consolidated net tangible assets attributable to owners of our Company as of April 30, 2023 is extracted from the Accountants’ Report in Appendix I to this document, which is based on the consolidated net assets attributable to owners of our Company as of April 30, 2023 of approximately RMB2,022,825 thousand with an adjustment for the goodwill of RMB42,499 thousand and the other intangible assets of RMB38,350 thousand as of April 30, 2023.
- (2) The estimated [REDACTED] from the [REDACTED] are based the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], being the low-end to the mid-point end to the high-end of the stated [REDACTED] range after deduction of the [REDACTED] fees and other estimated [REDACTED] expenses payable by us and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED]. The estimated [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into RMB at an exchange rate of HK\$1.0 to RMB[0.91613] prevailing on [August 9], 2023.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share is arrived after adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue immediately upon completion of the [REDACTED] (without taking into account of any Shares which may be allotted and issued upon exercise of the [REDACTED]), which is assumed to be on April 30, 2023 for the purpose of the pro forma financial information.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB[0.91613] prevailing on [August 9], 2023.
- (5) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company have not taken into account the special dividend of RMB50,000 thousand. Had the special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share would be HK\$[REDACTED] (equivalent to RMB[REDACTED]) per Share (based on an [REDACTED] of HK\$[REDACTED]) or HK\$[REDACTED] (equivalent to RMB[REDACTED]) per Share (based on an [REDACTED] of HK\$[REDACTED] per Share) or HK\$[REDACTED] (equivalent to RMB[REDACTED]) per Share (based on an [REDACTED] of HK\$[REDACTED] per Share).

FINANCIAL INFORMATION

- (6) No adjustment has been made to reflect any trading results or other transactions entered into subsequent to April 30, 2023.

Our Reporting Accountants have expressed an opinion as required by paragraph 4.29(7) of the Listing Rules on the Pro Forma Financial Information, details of which is included in Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since April 30, 2023, which is the end date of the periods reported on in the Accountants’ Report included in Appendix I to this document, and there is no event since April 30, 2023 that would materially affect the information as set out in the and the Accountants’ Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the high end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the low end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED].

Assuming an [REDACTED] at the mid-point of the indicative [REDACTED] range, we currently intend to apply these [REDACTED] for the following purposes:

- approximately 30.0%, or HK\$[REDACTED], will be used to enhance and expand our online game publishing business and other marketing business and consumer product business over the next four years, including:
- approximately 25.0%, or HK\$[REDACTED], will be used to enhance and expand the product/sector coverage of our online game publishing business and other marketing business over the next four years, including:
 - approximately 12.5%, or HK\$[REDACTED], will be used to enhance and expand the product/sector coverage of our online game publishing business and other marketing business over the next four years. Specifically, approximately 5.0%, or HK\$[REDACTED], will be used to convert game products in development that we have been authorized to market and operate from the pipeline status to final commercialization. We expect to launch 30 to 50 new game products in 2023, including role-playing game (RPG), casual game and simulation game (SLG). Among the game products we expect to launch in 2023, we will continue to focus on the marketing and operation of RPG products based on our current market analysis. We also plan to expand genres coverage of our game pipeline, including casual games and SLG, to identify and capture new market opportunities in the next few years.
- approximately 10.0%, or HK\$[REDACTED], will be used to purchase new game IPs over the next four years. We consider the following factors when selecting new game IPs that we intend to market and operate: (i) the long-lasting potential of the game IPs; (ii) the potential fan base of the IPs, including the number of fans, loyalties and willingness to purchase; and (iii) the popularity of the IPs, including the persistence of their popularity and the capability to derive new content from these IPs. In particular, we plan to

FUTURE PLANS AND USE OF [REDACTED]

secure new collaboration opportunities to allow us to market and operate new mobile games and content with potential to realize long-lasting effects. We plan to enter into new framework service agreements with reputable game developers over the next four years for approximately 30 new mobile games under development, by capitalizing on our reputation as a competitive online game publisher in China’s mobile game industry and leveraging our marketing data analytics capabilities.

- approximately 2.5%, or HK\$[REDACTED], will be used to expand our portfolio beyond game products over the next four years. Specifically, in addition to game products, we plan to export our core capabilities to enabling marketing of approximately five more online literature products and approximately two other products, such as animation. Meanwhile, we will actively explore opportunities to research and develop high-quality content independently, which in turn enable the sufficient supply of diversified and high-quality content.
- approximately 5.0%, or HK\$[REDACTED], will be used to enhance and expand our consumer product business over the next four years, including:
 - approximately 2.5%, or HK\$[REDACTED], will be used to enhance our Zha Zha Hui brand through expanding our instant food products categories and enhancing its brand recognition over the next four years. First, we strive to expand our instant food product offerings in different consumption scenarios and to continuously introduce new product categories beyond rice noodles, such as seasoned food products and bean-based products. In particular, we will further optimize the consumption experience of our Zha Zha Hui series by introducing new flavors, upgrading packaging designs and enriching the nutrition value, so as to attract more customers. Second, we will further devote our efforts to enhance our brand recognition by establishing innovative and popular marketing campaigns to promote the instant food culture and creating connections with the game products we market and operate to enhance brand recognition. Third, we plan to exploit technologies such as big data, artificial intelligence, industrial internet and real-time computing to better understand the purchase behavior of our end-users, which in turn to further enhance our operating efficiency and management capabilities.
 - approximately 1.5%, or HK\$[REDACTED], will be used to enhance our Bro Kooli brand over the next four years. First, we will continue to enhance our brand awareness to attract more artists, approximately 10 over the next four years, to partner with our platform, which enable us to develop and launch more categories of pop toy products. Second, we plan to establish our in-house pop toy design department to enhance our in-house IP development capabilities. Third, in order to attract new pop toy fans and increase their stickiness, we plan to strengthen our marketing efforts to enhance brand

FUTURE PLANS AND USE OF [REDACTED]

influence. For example, we plan to attract fans through the pop toy conventions, autograph sessions, exhibits and other promotional activities.

- approximately 1.0%, or HK\$[REDACTED], will be used to potentially build new consumer product business or brands, including recruit approximately five consumer product designers with expertise in expanding a brand matrix into new verticals over the next four years.

We expect our product portfolio will be further diversified and enriched which in turn enable us to achieve sustainable growth. In the short run, we expect that (i) our cost of sales as well as our research and development costs will increase as we diversify and expand our product/sector coverage, and (ii) our selling and distribution expenses will increase as we invest more to develop our brand awareness for consumer product business. Such investments may result in a short-term downward pressure on our profit margin. In the long run, we believe our forecast financial growth will offset such impact as our investment in strengthening our core competitive advantages will allow us to develop and deliver additional and diversified products, expand and penetrate new industry verticals and achieve positive network effects.

- approximately 30.0%, or HK\$[REDACTED], will be allocated to expand and deepen our partnership with major market participants throughout the full lifecycle value chain to fulfill our growth strategy over the next four years. We plan to allocate the [REDACTED] as follows:
 - approximately 28.0%, or HK\$[REDACTED], will be used to strengthen our relationships with mainstream media platforms to enhance our brand awareness and end-user coverage over the next four years, which includes: (i) increasing marketing expenses with mainstream online media platforms to meet the evolving needs of the end-users and to further expand our collaborations with new online media platforms; (ii) expanding offline mainstream media platform collaborations, mainly through media promotion and multi-dimension offline marketing activities such as placing advertisements at transportation junctions and arranging more offline player community activities, as well as launching innovative cross-industry marketing campaigns frequently; (iii) promoting consumer product business through offline channels in second-tier cities or cities with great market potentials; and (iv) collaborating with external professional marketing team to design marketing materials for our integrated online and offline marketing activities;
 - Approximately 2.0%, or HK\$[REDACTED], will be used to hire additional marketing and operation personnel with competitive compensation over the next four years. These additional marketing and operation personnel will be primarily responsible for implementing online and offline marketing activities, designing marketing materials and strengthening product operation capabilities. In particular, we plan to recruit marketing and operation employees with more than five years of industry experience to optimize the communication process with our clients, end-users collaborating media platforms;

FUTURE PLANS AND USE OF [REDACTED]

- approximately 10.0%, or HK\$[REDACTED], will be allocated to improve our technology infrastructure and enhance our internal research and development capabilities over the next four years, including:
 - approximately 6.0%, or HK\$[REDACTED], will be used to upgrade and strengthen our IT infrastructure to support our business growth over the next four years by (i) implementing various IT software for marketing and operating online games, including firewalls and other internet security software, data transmission software and software for designing marketing materials; and (ii) purchasing additional cloud services products, software and other maintenance-related services, as well as technologies with potential to develop Web 3.0-based game products;
 - approximately 4.0%, or HK\$[REDACTED], will be used to recruit 60 more IT staff over the next four years, including programmers, software developing and testing engineers, big data developers and algorithm experts. Specifically, we plan to use these additional talents to (i) improve and enhance our existing core underlying technology platforms, such as Hetu (河圖) and Luoshu (洛書) system, to enhance our data analysis capabilities and improve end-user experience; (ii) upgrade our existing technology infrastructure to enhance storage and computing capacities and system security, with the goal to provide technical support for our expanded game product portfolio; (iii) to further develop cutting-edge data analysis technology platform and our intelligent machine learning model training platform to further enhance the accuracy for our marketing activities. We will continue to attract and retain top-notch experts in IT, data science and AI sectors to support our fast-growing business; and (iv) to further develop innovative technologies with potential to develop Web 3.0-based game products. Particularly, we require our technology staff to hold an IT-related master degree and they need to have with at least three years of industry experience.

According to Frost & Sullivan, IT staff in mobile game industry have an average annual remuneration ranging from RMB10,000 to RMB18,000 in China. We plan to offer our IT staff an industry compatible salary package. We will also consider factors including academic qualification, R&D specialties and industry experience to decide the respective salary package for our IT staff. We plan to use both our own capital resources and the [REDACTED] from the [REDACTED] to fund the salaries of our additional R&D headcount.

- approximately 10.0%, or HK\$[REDACTED], will be used to support our overall strategies of expanding into select markets outside China and developing our overseas operation over the next four years.

Specifically, we plan to focus on promoting our business in Japan, Southeast Asia, Hong Kong, Macau and Taiwan and gradually expand to Europe, the U.S. and other regions. We are currently more familiar with the business culture in the Asia Pacific markets, and plan to conduct comprehensive market research, such as competitive

FUTURE PLANS AND USE OF [REDACTED]

landscape analysis, localization evaluation, revenue sharing research, as well as legal, cultural and political assessment, to customize our expansion strategies based on local cultures, customs, lifestyles and end-user habits of a specific target. For example, we plan to build and operate our overseas player communities through local distribution and player acquisition channels and establishing and bolstering our relationships with overseas distribution channels, including iOS App Store and Google Play. We also intend to establish customized revenue sharing scheme with these local distribution and player acquisition channels to enhance our brand awareness and end-user coverage in overseas markets.

In addition, we plan to cooperate with popular local media platforms and distribution channels to provide our target end-users in different markets with customized game promotion content. We also plan to invite local KOLs to help with marketing and promotion. We plan to deepen our cooperation with major international distribution channels, including leading app stores, social media platforms and other upstream and downstream partners in the online game industry. We plan also to use our extensive experience in traffic acquisition and brand development activities to continuously attract and retain end-users and enhance monetization. Specifically,

- approximately 4.5%, or HK\$[REDACTED], will be used to expand the market share of our online game publishing business and consumer product business over the next four years through (i) collaborating with overseas independent game developers to develop localized online games, including game settings, characters, plots, gameplay and storylines; (ii) exploring opportunities of contents in consumer product business that suit the local culture and tastes; and (iii) continue to conduct market research such as competitive analysis, localization evaluation, as well as the legal, cultural and political assessment, to better assess the business opportunities.
- approximately 4.0%, or HK\$[REDACTED], will be used to develop our marketing and operation capabilities overseas through engaging international celebrities and KOLs to enhance our brand recognition over the next four years. We will consider various factors when selecting the international celebrities and KOLs including (a) the similarities of our targeted end-users and the celebrities and KOLs fan base; (b) the reach of the celebrities and the KOLs such as the total followers, view and shares; (c) the level of engagement of the celebrities and the KOLs and their audiences, such as the frequency of their interaction activities with their followers; and (d) the reputation and the history of the celebrities and KOLs.
- approximately 1.5%, or HK\$[REDACTED], will be used to recruit additional talents to support our expansion and development strategies in overseas markets over the next four years, including (i) recruiting over 20 research and development employees by 2026 in targeted overseas markets, including employees with experience in developing games of multiple genres and specialized in areas such as graphic design, game development, game testing, marketing, business management, computer engineering and data analysis. They will focus on developing and upgrading games with localized features and enhancing gameplay, graphic design,

FUTURE PLANS AND USE OF [REDACTED]

soundtracks and technical support for the operation of online games in the overseas market; (ii) recruiting over 30 sales and marketing employees with at least two years of industry experiences to enhance the efficiency of our marketing efforts and increase our penetration rate by launching local marketing campaigns and establishing relationships with local media platforms and distribution channels; and (iii) recruiting five to 10 general staff with bachelor’s or higher degrees to support our daily operations. We plan to use both our own capital resources and the [REDACTED] from the [REDACTED] to fund the salaries of additional employees in overseas markets.

- approximately 10.0%, or HK\$[REDACTED], will be used for exploring potential strategic acquisition opportunities starting from the second through the fourth year after the [REDACTED]. We believe it will allow us to expand our existing game product offerings, improve our technology capabilities, and enhance our value proposition to our clients. In particular, we intend to invest in or acquire companies upstream or downstream of the value chain of the online game industry.

Specifically, we will pursue suitable strategic investments and acquisitions only if we believe we have identified (i) businesses with proven monetization models in the mobile game market that synergize with our plans to enhance or broaden our service offerings or the game products marketed and operated by us, such as those that can leverage our data analysis capabilities; (ii) businesses that possess cutting-edge technologies such as AI, big data analytics and other technologies related to our business that would allow us to enhance our marketing data intelligence platforms, such as start-up companies or teams that have advanced AI, big data analytics or cloud computing platforms that can be integrated into and optimize our current technology platforms; (iii) the successful track record in the mobile game industry and extensive industry experience of the management team. The target company should have developed or marketed at least one successful game with either average monthly gross billings of over RMB100.0 million or a registered user base and active user base of over 50 million and 10 million, respectively; (iv) the abilities to develop, commercialize and operate online game products; and (v) businesses with successful consumer goods brands or manufacturing capabilities. Otherwise, we will only choose to work with qualified third-party partners described above to either obtain desired data labels from them or in-license desired technologies or solutions from them.

In terms of investment format, we prioritize an acquisition of reputable digital marketing technology companies with proprietary technology platforms or diverse distribution channels to supplement and enhance our data-driven decision-making technology platforms. We may also seek to identify promising app studios and online game development companies to gradually establish our in-house game development capabilities and stay at the forefront of the online game industry. We may choose to work with them to co-develop algorithm models to enrich our data analytics capabilities or in-license or purchase the technologies or products that we deem desirable for our business. We also intend to discover companies that focus on developing metaverse

FUTURE PLANS AND USE OF [REDACTED]

games which will create synergies with our existing business and further expand our business coverage.

Our Directors are of the view that there is a sufficient number of qualified app studios or companies we could choose from and the potential strategic investments and acquisitions will not have a material effect on our financial position. We expect to implement this plan in the next four years. As of the Latest Practicable Date, we had not proposed to invest in any specific acquisition target or identified any such targets for the use of [REDACTED] from the [REDACTED]. As we operate in a fast-growing industry, we will thoroughly consider expanding our business scale and market share through strategic investment, acquisition, licensing, or collaboration. As a result of such plans, in the short term, we may have net cash outflow in investing activities and increased goodwill. In the long term, we believe such impact will be absorbed by our growth, as such plans will allow us to strengthen our technical and marketing data analytics capabilities and realize synergies from business integration and cooperation, so as to drive revenue growth and margin expansion.

- approximately 10.0%, or HK\$[REDACTED], will be used for our working capital and general corporate purposes.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a *pro rata* basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK\$[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above purposes in the proportions stated above.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as it is deemed to be in the best interests of the Company, we will only hold such funds in short-term deposits with licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance, the Law of the People’s Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and other applicable laws in the PRC). We will make an appropriate announcement if there is any change to the above proposed use of [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

[To insert the firm’s letterhead]

Introduction

We report on the historical financial information of ZX Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 (the “Relevant Periods”), the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 April 2023 and the statements of financial position of the Company as at 31 December 2021 and 2022 and 30 April 2023 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [DATE] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error.

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In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 April 2023 and the financial position of the Company as at 31 December 2021 and 2022 and 30 April 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2022 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends had been paid or declared by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants

Hong Kong

[DATE]

HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)	
REVENUE	5	2,872,393	5,735,718	8,817,221	2,846,654	2,448,345
Cost of sales		(433,029)	(997,359)	(2,407,531)	(738,374)	(799,741)
Gross profit		2,439,364	4,738,359	6,409,690	2,108,280	1,648,604
Other income and gains	5	130,479	120,056	292,600	87,379	396,629
Selling and distribution expenses		(1,916,710)	(3,851,197)	(5,622,406)	(1,919,143)	(1,391,649)
Administrative expenses		(1,349,545)	(106,779)	(175,696)	(44,127)	(85,796)
Research and development costs		(472,383)	(136,948)	(157,738)	(47,289)	(57,686)
Impairment losses on financial assets, net		5,373	864	(2,219)	(911)	(1,889)
Other expenses		(2,237)	(16,463)	(8,330)	(10,255)	(102,951)
Finance costs	7	(51,643)	(56,032)	(107,878)	(28,909)	(36,503)
Share of profits and losses of:						
Joint ventures		(2,359)	4,217	7,430	882	(484)
Associates		(4,184)	(15,946)	(33,878)	(6,806)	(11,516)
PROFIT/(LOSS) BEFORE TAX	6	(1,223,845)	680,131	601,575	139,101	356,759
Income tax expense	10	(77,258)	(63,690)	(110,053)	(14,518)	(114,655)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		<u>(1,301,103)</u>	<u>616,441</u>	<u>491,522</u>	<u>124,583</u>	<u>242,104</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		<u>(1,301,103)</u>	<u>616,441</u>	<u>491,522</u>	<u>124,583</u>	<u>242,104</u>
Attributable to:						
Owners of the parent		(1,301,103)	615,911	514,067	124,732	219,959
Non-controlling interests		–	530	(22,545)	(149)	22,145
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic (RMB)	12	N/A	N/A	9.65	N/A	0.44
Diluted (RMB)	12	N/A	N/A	9.60	N/A	0.44

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30
		2020	2021	2022	April
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property and equipment	13	24,571	45,231	79,169	183,802
Right-of-use assets	14	128,350	189,404	180,229	141,013
Goodwill	15	–	42,499	42,499	42,499
Other intangible assets	16	6,897	33,827	43,734	38,350
Investment in joint ventures	17	268,041	259,758	267,188	266,704
Investment in associates	18	5,816	4,870	5,992	4,276
Deferred tax assets	27	5,867	40,917	47,857	48,443
Prepayments, other receivables and other assets	21	239,473	117,636	119,183	161,768
Pledged deposits	22	876,395	2,022,247	3,395,558	3,006,106
Restricted cash	22	17,943	10,000	–	–
Total non-current assets		<u>1,573,353</u>	<u>2,766,389</u>	<u>4,181,409</u>	<u>3,892,961</u>
CURRENT ASSETS					
Inventories		–	1,020	4,424	2,612
Trade receivables	20	221,996	271,086	426,817	308,273
Prepayments, other receivables and other assets	21	393,384	375,693	667,323	669,602
Amounts due from related parties	36	99,766	95,000	16,981	16,981
Financial assets at fair value through profit or loss	19	550,446	1,089,969	1,271,335	1,277,878
Pledged deposits	22	544,762	1,239,799	3,006,801	3,605,530
Restricted cash	22	84,933	25,863	10,394	39,190
Cash and cash equivalents	22	393,472	693,608	213,422	399,270
Total current assets		<u>2,288,759</u>	<u>3,792,038</u>	<u>5,617,497</u>	<u>6,319,336</u>
CURRENT LIABILITIES					
Trade payables	23	275,562	560,035	523,649	532,211
Bills payables	24	1,729,989	3,422,140	5,640,211	5,861,676
Other payables and accruals	25	961,077	943,124	901,219	840,727
Interest-bearing bank borrowings	26	–	89,950	555,844	442,716
Lease liabilities	14	2,134	27,793	21,247	19,010
Amounts due to related parties	36	–	64	–	–
Tax payable		93,691	146,872	247,796	346,807
Total current liabilities		<u>3,062,453</u>	<u>5,189,978</u>	<u>7,889,966</u>	<u>8,043,147</u>
NET CURRENT LIABILITIES		<u>(773,694)</u>	<u>(1,397,940)</u>	<u>(2,272,469)</u>	<u>(1,723,811)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>799,659</u>	<u>1,368,449</u>	<u>1,908,940</u>	<u>2,169,150</u>
NON-CURRENT LIABILITIES					
Lease liabilities	14	137,177	182,508	190,754	153,061
Provision	28	300	11,710	9,150	3,150
Total non-current liabilities		<u>137,477</u>	<u>194,218</u>	<u>199,904</u>	<u>156,211</u>
Net assets		<u>662,182</u>	<u>1,174,231</u>	<u>1,709,036</u>	<u>2,012,939</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	29	–	–	74	74
Treasury shares	29	–	–	(3)	(3)
Reserves	31	662,182	1,177,713	1,731,686	2,022,754
		<u>662,182</u>	<u>1,177,713</u>	<u>1,731,757</u>	<u>2,022,825</u>
Non-controlling interests		–	(3,482)	(22,721)	(9,886)
Total equity		<u>662,182</u>	<u>1,174,231</u>	<u>1,709,036</u>	<u>2,012,939</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	Treasury shares	Capital reserve	Statutory surplus reserve	Share incentive reserve	(Accumulated	Non-controlling interests	Total Equity	
						losses)/retained profits			Total
RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000	RMB'000	RMB'000	RMB'000	
Year ended 31 December 2020									
At 1 January 2020	–	–	10,000	5,000	285,412	(153,241)	147,171	–	147,171
Loss for the year	–	–	–	–	–	(1,301,103)	(1,301,103)	–	(1,301,103)
Total comprehensive loss for the year	–	–	–	–	–	(1,301,103)	(1,301,103)	–	(1,301,103)
Equity-settled share award arrangements (note 30)	–	–	–	–	1,816,114	–	1,816,114	–	1,816,114
At 31 December 2020	–	–	10,000*	5,000*	2,101,526*	(1,454,344)*	662,182	–	662,182
Year ended 31 December 2021									
At 1 January 2021	–	–	10,000	5,000	2,101,526	(1,454,344)	662,182	–	662,182
Profit for the year	–	–	–	–	–	615,911	615,911	530	616,441
Total comprehensive income for the year	–	–	–	–	–	615,911	615,911	530	616,441
Dividends paid to the then shareholders of a subsidiary	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
Addition of non-controlling interests	–	–	(380)	–	–	–	(380)	390	10
Acquisition of subsidiaries	–	–	–	–	–	–	–	(4,402)	(4,402)
At 31 December 2021	–	–	9,620*	5,000*	2,101,526*	(938,433)*	1,177,713	(3,482)	1,174,231
Year ended 31 December 2022									
At 1 January 2022	–	–	9,620	5,000	2,101,526	(938,433)	1,177,713	(3,482)	1,174,231
Profit for the year	–	–	–	–	–	514,067	514,067	(22,545)	491,522
Total comprehensive income for the year	–	–	–	–	–	514,067	514,067	(22,545)	491,522
Issue of ordinary shares	74	(3)	–	–	–	–	71	–	71
Equity-settled share option arrangements	–	–	–	–	42,883	–	42,883	–	42,883
Changes in non-controlling interests without loss of control	–	–	(233)	–	–	–	(233)	562	329
Capital injection in non-wholly owned subsidiaries	–	–	(2,744)	–	–	–	(2,744)	2,744	–
At 31 December 2022	74	(3)	6,643*	5,000*	2,144,409*	(424,366)*	1,731,757	(22,721)	1,709,036

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent								
	Share capital	Treasury shares	Capital reserve	Statutory surplus reserve	Share incentive reserve	(Accumulated	Total	Non-controlling interests	Total Equity
						losses)/ retained profits			
RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000	RMB'000	RMB'000	RMB'000	
Four months ended 30 April 2023									
At 1 January 2023	74	(3)	6,643	5,000	2,144,409	(424,366)	1,731,757	(22,721)	1,709,036
Profit for the period	—	—	—	—	—	219,959	219,959	22,145	242,104
Total comprehensive income for the period	—	—	—	—	—	219,959	219,959	22,145	242,104
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(9,800)	(9,800)
Equity-settled share option arrangements	—	—	—	—	70,599	—	70,599	—	70,599
Changes in non-controlling interests without loss of control	—	—	510	—	—	—	510	490	1,000
At 30 April 2023	<u>74</u>	<u>(3)</u>	<u>7,153*</u>	<u>5,000*</u>	<u>2,215,008*</u>	<u>(204,407)*</u>	<u>2,022,825</u>	<u>(9,886)</u>	<u>2,012,939</u>
Four months ended 30 April 2022 (UNAUDITED)									
At 1 January 2022	—	—	9,620	5,000	2,101,526	(938,433)	1,177,713	(3,482)	1,174,231
Profit for the period	—	—	—	—	—	124,732	124,732	(149)	124,583
Total comprehensive income for the period	—	—	—	—	—	124,732	124,732	(149)	124,583
Changes in non-controlling interests without loss of control	—	—	—	—	—	—	—	29	29
At 30 April 2022	<u>—</u>	<u>—</u>	<u>9,620</u>	<u>5,000</u>	<u>2,101,526</u>	<u>(813,701)</u>	<u>1,302,445</u>	<u>(3,602)</u>	<u>1,298,843</u>

* These reserve accounts comprise the consolidated reserves of RMB662,182,000, RMB1,177,713,000, RMB1,731,686,000 and RMB2,022,754,000 in the consolidated statements of financial position as at 31 December 2020, 2021, 2022 and 30 April 2023 respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax	6	(1,223,845)	680,131	601,575	139,101	356,759
Adjustments for:						
Finance costs	7	51,643	56,032	107,878	28,909	36,503
Foreign exchange (gain)/loss net	6	(511)	(219)	(1,224)	(1,562)	702
Bank interest income	5	(34,108)	(94,394)	(189,125)	(38,276)	(54,728)
Share of profits and losses of joint ventures and associates		6,543	11,729	26,448	5,924	12,000
Loss/(gain) on disposal of subsidiaries	6	18	(4)	(621)	–	–
(Gain)/loss on disposal of financial assets at fair value through profit or loss	6	(59,175)	2,628	(29,796)	8,922	(327,004)
Fair value (gain)/loss on financial assets at fair value through profit or loss	6	(6,294)	(971)	(12,467)	(27,803)	99,209
Equity-settled share-based payment expenses	6	1,816,114	–	42,883	–	70,599
Impairment of trade receivables, net	6	(5,373)	(5,711)	615	(31)	(51)
Impairment of financial assets included in other receivables	6	–	4,847	1,604	942	1,940
Loss on disposal of items of property and equipment	6	89	74	4	–	668
Gain on lease modification	6	(96)	(37)	(2,708)	(199)	(3,908)
Depreciation of property and equipment	13	7,505	6,452	14,364	4,504	6,679
Depreciation of right-of-use assets	6	9,406	18,566	31,065	10,196	8,138
Amortisation of other intangible assets	16	872	28,401	50,777	26,117	11,930
Impairment of property and equipment	6	–	–	5,479	–	–
Increase in inventories		–	(1,020)	(3,404)	(922)	1,812
(Increase)/decrease in trade receivables		(132,118)	14,820	(156,346)	(145,035)	118,595
Decrease/(increase) in prepayments, other receivables and other assets		107,932	199,532	(235,054)	(354,208)	(113,403)
Increase in amounts due from related parties		–	–	(16,981)	–	–
(Decrease)/increase in trade payables		(94,717)	83,844	(36,386)	64,176	8,562
(Decrease)/increase in bills payables		(996,856)	1,692,151	2,218,071	980,789	221,465
Increase/(decrease) in other payables and accruals		352,240	(49,884)	(41,988)	562,975	(67,992)
Increase/(decrease) in amounts due to related parties		–	64	(64)	(18)	–
(Increase)/decrease in restricted cash		(50,000)	70,900	9,100	6,262	(1,415)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year ended 31 December			Four months ended	
				30 April	
	2020	2021	2022	2022	2023
<i>Notes</i>					
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Cash generated from operations	(250,731)	2,717,931	2,383,699	1,270,763	387,060
Interest received	3,014	6,953	6,065	1,954	1,256
Interest paid	(45,430)	(47,946)	(89,893)	(24,869)	(31,628)
Income tax paid	(8,380)	(42,107)	(17,350)	(85)	(16,230)
Net cash flows (used in)/generated from operating activities	<u>(301,527)</u>	<u>2,634,831</u>	<u>2,282,521</u>	<u>1,247,763</u>	<u>340,458</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year ended 31 December			Four months ended 30 April		
	Notes	2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						<i>(Unaudited)</i>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		31,094	87,340	183,060	36,322	53,472
Dividends received from a joint venture		600	700	–	–	–
Purchases of items of property and equipment		(45,065)	(26,312)	(124,132)	(5,442)	(5,368)
Proceeds from disposal of items of property and equipment		1,157	3,637	338	21	2,764
Additions to other intangible assets		–	(23,127)	(45,684)	(45,235)	(6,546)
Acquisition of subsidiaries	32	–	32,118	–	–	–
Purchase of investments in joint ventures		(263,800)	–	–	–	–
Purchases of investments in associates		(10,000)	(13,250)	(35,000)	(24,800)	(9,800)
Disposal of an investment in a joint venture		–	1,800	–	–	10,000
Purchase of financial assets at fair value through profit or loss		(2,645,067)	(3,880,624)	(7,053,071)	(3,446,316)	(1,467,380)
Disposal of financial assets at fair value through profit or loss		4,738,807	3,351,444	6,913,968	2,945,692	1,688,632
Advance of loans to related parties		(98,766)	–	–	–	–
Repayment of loans from related parties		–	4,766	95,000	–	–
Increase in pledged time deposits		(1,019,233)	(1,840,889)	(3,140,313)	(1,444,390)	(209,277)
Net cash flows from/(used in) investing activities		<u>689,727</u>	<u>(2,302,397)</u>	<u>(3,205,834)</u>	<u>(1,984,148)</u>	<u>56,497</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment for deferred [REDACTED] expenses						
		–	(1,613)	(4,773)	(1,193)	(2,505)
		–	91,249	856,070	400,522	52,995
		–	–	(385,568)	–	(166,169)
		–	(1,308)	(12,577)	(4,725)	(1,782)
	14	(6,373)	(8,662)	(16,507)	(3,363)	(4,146)
		(6,213)	(8,077)	(10,016)	(3,323)	(3,047)
		–	–	–	–	(44,121)
		–	–	74	–	–
		–	–	–	–	1,000
	11	–	(100,000)	–	–	–
		–	–	–	–	(9,800)
		(12,876)	(3,887)	16,369	16,302	(27,381)
		–	–	55	(112)	(6,151)
		<u>(25,462)</u>	<u>(32,298)</u>	<u>443,127</u>	<u>404,108</u>	<u>(211,107)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
		362,738	300,136	(480,186)	(332,277)	185,848
		30,734	393,472	693,608	693,608	213,422
		–	–	–	–	–
		<u>393,472</u>	<u>693,608</u>	<u>213,422</u>	<u>361,331</u>	<u>399,270</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
		393,472	693,608	213,422	361,331	399,270
		–	–	–	–	–
	22	<u>393,472</u>	<u>693,608</u>	<u>213,422</u>	<u>361,331</u>	<u>399,270</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December 2021	As at 31 December 2022	As at 30 April 2023
	<i>Notes</i>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
NON-CURRENT ASSETS				
Investment in subsidiaries		—	42,883	113,482
Total non-current assets		—	42,883	113,482
CURRENT ASSETS				
Prepayments	21	1,613	6,386	8,892
Due from subsidiaries	36	—	5	—
Cash and cash equivalents		—	180	890
Total current assets		1,613	6,571	9,782
CURRENT LIABILITIES				
Other payables and accruals	25	—	45,463	2,046
Due to subsidiaries	36	12,760	1,966	50,556
Total current liabilities		12,760	47,429	52,602
NET CURRENT LIABILITIES		<u>(11,147)</u>	<u>(40,858)</u>	<u>(42,820)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(11,147)</u>	<u>2,025</u>	<u>70,662</u>
Net liabilities/assets		<u>(11,147)</u>	<u>2,025</u>	<u>70,662</u>
EQUITY				
Share capital	29	—	74	74
Treasury shares	29	—	(3)	(3)
(Deficits)/Reserves		(11,147)	1,954	70,591
Total equity		<u>(11,147)</u>	<u>2,025</u>	<u>70,662</u>

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1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2021 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Island.

The principal activity of the Company is investment holding. During the Relevant Periods, the Company’s subsidiaries are principally engaged in providing product marketing and operation services to online games in the People’s Republic of China (hereafter, the “PRC”).

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed “History, Reorganisation and Corporate Structure – Corporate Reorganisation” in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiangxi Tanwan Information Technology Co., Ltd. (“江西貪玩信息 技術有限公司”) (“Jiangxi Tanwan”) ^{(note(a))}	21 May 2015 PRC/Mainland China	RMB10,000,000	–	100	Game marketing and operation
Hong Kong Tanwan Information Technology Co., Limited (“香港貪玩 信息技術有限公司”) (“HK Tanwan”) ^{(note(b))}	24 May 2016 Hong Kong	HKD1,000,000	100	–	Game marketing and operation
Poyang Weiru Information Technology Co., Ltd. (“鄱陽縣偉如信息技術有 限公司”) (“Poyng Weiru”) ^{(note(e))}	13 March 2017 PRC/Mainland China	RMB1,000,000	–	70	Game marketing and operation

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Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Tanwan Information Technology Co., Ltd. (“廣州貪玩信息技術有限公司”) (“Guangzhou Tanwan”) ^{(note(c))}	28 July 2017 PRC/Mainland China	RMB1,000,000	–	99	Game marketing and operation
Poyang Tanwan Information Technology Co., Ltd. (“鄱陽縣貪玩網絡科技有限公司”) (“Poyang Tanwan”) ^{(note(e))}	1 December 2017 PRC/ Mainland China	RMB5,050,505	–	100	Game marketing and operation
Guangzhou Bajiuyou Network Technology Co., Ltd. (“廣州八九遊網絡科技有限公司”) (“Guangzhou Bajiuyou”) ^{(note(d))}	5 December 2017 PRC/ Mainland China	RMB10,000,000	–	51	Game marketing and operation
Guangzhou Chichi Network Technology Co., Ltd. (“廣州吃吃網絡科技有限公司”) (“Guangzhou Chichi”) ^{(note(e))}	19 June 2018 PRC/Mainland China	RMB2,000,000	–	100	Sales of products
Hainan Zhangwan Network Technology Co., Ltd. (“海南掌玩網絡科技有限公司”) (“Hainan Zhangwan”) ^{(note(e))}	14 April 2020 PRC/Mainland China	RMB2,040,816	–	51	Game marketing and operation
Guangzhou Feifan Information Technology Co., Ltd. (“廣州非凡信息技術有限公司”) (“Guangzhou Feifan”) ^{(note(e))}	9 June 2020 PRC/Mainland China	RMB20,408,163	–	51	Game marketing and operation

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Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Zhongxu Digital Information Technology Co.,Ltd. (“廣州中旭數科信息科技有限公司”) (“Guangzhou Zhongxu”) ^{(note(e))}	27 September 2020 PRC/Mainland China	RMB10,000,000	–	100	Game marketing and operation
Hainan Tanwan Information Technology Co., Ltd. (“海南貪玩信息技術有限公司”) (“Hainan Tanwan”) ^{(note(e))}	4 November 2020 PRC/Mainland China	RMB1,000,000	–	100	Game marketing and operation
Shanghai Tanwan Legend Information Technology Co., Ltd. (“上海貪玩傳奇信息技術有限公司”) (“Shanghai Tanwan Legend”) ^{(note(e))}	1 December 2020 PRC/ Mainland China	RMB10,000,000	–	100	Game marketing and operation
Shangrao Guangfeng Tanwan Network Technology Co.,Ltd.. (“上饒市廣豐區貪玩網絡科技有限公司”) (“Shangrao Tanwan”) ^{(note(d))}	29 January 2021 PRC/Mainland China	RMB10,000,000	–	100	Game marketing and operation
Hong Kong 9 Ring Network Co., Limited (“香港九環網絡有限公司”) (“HK 9 Ring”) ^{(note(b))}	9 February 2021 Hong Kong	HKD20,000,000	51	–	Game marketing and operation
ZX Interactive Limited (“ZX BVI”) ^{(note(e))}	30 March 2021 British Virgin Islands	USD1	100	–	Game marketing and operation
ZX Data Limited (“中旭數據有限公司”) (“ZX HK”) ^{(note(e))}	16 April 2021 Hong Kong	HKD1	100	–	Game marketing and operation

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Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Zhongxu Future Technology Co., Ltd. (“廣州中旭未來科技有限公司”) (“ZX WFOE”) ^{(note(a))}	26 May 2021 PRC/Mainland China	RMB10,000,000	100	–	Other marketing services
Guangzhou Zhongxu BroKooLi Culture and Entertainment Co., Ltd. (“廣州中旭西蘭花文化娛樂有限公司”) (“ZX Entertainment”) ^{(note(e))}	28 September 2021 PRC/Mainland China	RMB1,000,000	–	100	Sales of products
Guangzhou Happy Time Digital Technology Co., Ltd. (“廣州歡樂時光數字科技有限公司”) (“Guangzhou Huanle”) ^{(note(e))}	12 November 2021 PRC/Mainland China	RMB10,000,000	–	51	Game marketing and operation
Guangzhou Hehe Information Technology Co., Ltd. (“廣州喝喝信息技術有限公司”) (“Guangzhou Hehe”) ^{(note(e))}	6 January 2022 PRC/Mainland China	RMB2,000,000	–	100	Sales of products
Guangzhou Tanwan Mobile Game Network Technology Co., Ltd. (“廣州貪玩手遊網絡科技有限公司”) (“Guangzhou Tanwan Mobile Game”) ^{(note(e))}	8 March 2022 PRC/Mainland China	RMB10,000,000	–	51	Game marketing and operation
Guangzhou Future Industry Service Co., Ltd. (“廣州未來產業服務有限公司”) (“Guangzhou Future Industry”) ^{(note(e))}	26 April 2022 PRC/Mainland China	RMB70,000,000	–	100	Real estate
Guangzhou Zhongxu Industry Service Co., Ltd. (“廣州中旭產業服務有限公司”) (“ZX Industry”) ^{(note(e))}	26 April 2022 PRC/Mainland China	RMB55,000,000	–	100	Real estate

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Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Wanxin Information Technology Co., Ltd. (“廣州玩心信息技術有限公司”) (“Guangzhou Wanxin”) ^{(note(e))}	12 May 2022 PRC/Mainland China	RMB1,000,000	–	51	Game marketing and operation
Hong Kong Happy Time Interactive Limited (“香港歡樂時光互娛有限公司”) (“Hong Kong Happy Time”) ^{(note(e))}	30 May 2022 Hong Kong	HKD100,000	100	–	Game marketing and operation
Hong Kong 5 Ring Network Co., Limited (“香港五環網絡有限公司”) (“HK 5 Ring”) ^{(note(e))}	23 June 2022 Hong Kong	HKD500,000	51	–	Game marketing and operation
Guangzhou Tanwan Information Technology Co., Ltd. (“廣州貪碗信息技術有限公司”) (“Guangzhou Tan Bowl”) ^{(note(e))}	15 September 2022 PRC/Mainland China	RMB2,000,000	–	100	Sales of products
Guangzhou Tongchuang Future Information Technology Co., Ltd. (“廣州同創未來信息技術有限公司”) (“Guangzhou Tongchuang”) ^{(note(e))}	8 March 2023 PRC/Mainland China	RMB900,000,000	–	100	Other marketing services

(a) These entities are registered as limited liability companies under PRC law. The statutory financial statements of Jiangxi Tanwan for the years ended 31 December 2020, 2021 and 2022 and the statutory financial statement of ZX WFOE, a wholly-foreign-owned enterprise registered under PRC law, from its date of establishment to 31 December 2021 and the year ended 31 December 2022 prepared under PRC Generally Accepted Accounting Principles were audited by Guangzhou Huasui Certified Public Accountants Ltd. (廣州市華穗會計師事務所有限公司) and by Guangzhou Zhengyang Certified Public Accountants GP (廣州正揚會計師事務所 (普通合夥)), certified public accountants registered in the PRC, respectively.

(b) These entities are registered as limited liability companies under Hong Kong law. The statutory financial statements of HK Tanwan for the years ended 31 December 2020 and 2021 and those of HK 9 Ring from its date of establishment to 31 December 2021

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prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard were audited by CHENG MING KEI, certified public accountant (practising) registered in Hong Kong.

- (c) This entity is registered as limited liability company under PRC law. The statutory financial statements of Guangzhou Tanwan for the years ended 31 December 2020, 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles were audited by Guangdong Zhonghaiyue Certified Public Accountants (廣東中海粵會計師事務所有限公司), Guangzhou Huasui Certified Public Accountants Ltd. (廣州市華穗會計師事務所有限公司) and Guangzhou Zhengyang Certified Public Accountants GP (廣州正揚會計師事務所 (普通合夥)), certified public accountants registered in the PRC, respectively.
 - (d) These entities are registered as limited liability company under PRC law. The statutory financial statements of Guangzhou Bajiyou for the year ended 31 December 2021 and 2022 and the statutory financial statements of Shangrao Tanwan for the year ended 31 December 2022 prepared under PRC Generally Accepted Accounting Principles were audited by Guangzhou Reputation Union Certified Public Accountants GP (廣州至信永聯會計師事務所 (普通合夥)) and by Guangzhou Zhengyang Certified Public Accountants GP (廣州正揚會計師事務所 (普通合夥)), certified public accountants registered in the PRC, respectively.
 - (e) No audited financial statements have been prepared for these entities since their dates of incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation or newly incorporated.
- [^] The English names of these subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

Hainan Zhangwan, Guangzhou Bajiyou and Guangzhou Chichi were acquired by the Group in March 2021, June 2021 and September 2021, respectively. Details in relation to the acquisitions are set out in note 32 to the Historical Financial Information. The financial results of these companies were included in the Historical Financial Information since the date of acquisition.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure– Corporate Reorganisation” in the Document, the Company became the holding company of the companies now comprising the Group on 22 November 2022.

Jiangxi Tanwan and its subsidiaries (collectively the “PRC Operating Entities”) are engaged in online game operation business, which was prohibited or restricted from foreign

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ownership due to regulatory restrictions in the PRC. ZX WFOE (the “WFOE”), a wholly-owned subsidiary of the Company, has entered into the contractual arrangements (the “Contractual Arrangements”) with, among others, the PRC Operating Entities and their respective equity holders. The Contractual Arrangements enable ZX WFOE to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities.

Accordingly, the PRC Operating Entities are controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in the PRC Operating Entities. Details of the Contractual Arrangements are disclosed in the section headed “Contractual Arrangements” in the Document.

The Reorganisation only involved inserting new holding entities, including ZX WFOE, at the top of Jiangxi Tanwan, the then holding company of the Group, and has not resulted in any change of economic substances. Accordingly, for the purpose of this report, the Historical Financial Information has been presented as a continuation of Jiangxi Tanwan and its subsidiaries by applying the principles of merger accounting as if the Company had been the holding company of Jiangxi Tanwan and its subsidiaries at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and in the period covered by the Interim Comparative Financial Information include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2020, 2021, 2022 and 30 April 2023 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the reorganisation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

All HKFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

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The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

The Group recorded net current liabilities of RMB1,723,811,000 as at 30 April 2023, which was primarily due to certain of the Group’s interest-bearing bank borrowings and bills payables being secured by long term fixed deposits of RMB3,107,857,000 that can be used to settle the Group’s current liabilities before maturity. The directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the long term fixed deposits available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the Historical Financial Information has been prepared on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the preparation of the Historical Financial Information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{1,2}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group has expected that these standards will not have significant effect on the Group’s financial performance and financial position.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. the contractual arrangement with the other vote holders of the investee;
- b. rights arising from other contractual arrangements; and
- c. the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The results of subsidiaries are included in the Company’s profit or loss to the extent of dividend received and receivable. The Company’s investments in subsidiaries are stated at cost less any impairment losses.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries arising from the Reorganisation

The PRC Operating Entities have entered into Contractual Arrangements with, among others, the WFOE and the registered equity holders of the PRC Operating Entities. The Contractual Arrangements became effective on 22 November 2022. In particular, the WFOE undertakes to provide the PRC Operating Entities with certain consultancy and technical services as required to support their operations. In return, the WFOE is entitled to substantially all of the operating profits and residual benefits generated by the PRC Operating Entities through intercompany charges levied on these services rendered.

The registered equity holders of the PRC Operating Entities are also required to transfer its interests in the PRC Operating Entities to the WFOE or the designee appointed by the WFOE upon a request made by the WFOE when permitted by the PRC laws. The equity interests in the PRC Operating Entities have also been pledged by the registered equity holders to the WFOE in respect of the continuing obligations of the PRC Operating Entities. Accordingly, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power, and thus control over the PRC Operating Entities.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group’s investments in associates or joint ventures.

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If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets, deferred tax assets, financial assets and non-current assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises.

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Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.99%
Electronic devices	32%
Furniture and fixtures	19%
Motor vehicles	24%
Leasehold improvements	Shorter of estimated useful lives or remaining lease terms

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

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The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Copyright

Copyright, hereby, refers to the legal right of game software belonging to the Group. The copyright is amortised on a straight-line basis over the life cycle of the specific game, which lasts for at least 2 years.

Game Operation Agreements

Game Operation Agreements are stated at cost less any impairment loss and are amortised on a straight-line basis over the expected economic life of 1 to 3 years..

Computer software

Acquired computer software is stated at historical cost less amortisation. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful life of 2 to 3 years.

Domain names

Domain names are initially recognised and measured at costs incurred to acquire and bring to use them. The costs are amortised on a straight-line basis over the domain names’ estimated useful lives of not exceeding 10 years, which is determined by the shorter of the registered license years and expected usage period.

Research and development costs

All research costs are charged to the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 to 15 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the

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lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as loans and borrowings, payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, and other payables and accruals, Amounts due to related parties, lease liabilities, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would

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be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business

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combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when or as the control of the goods or services is transferred to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Game marketing and operation

Most of the online games that the Group markets or operates are under free-to-play basis whereby the players can play the game free of charge and are charged for purchase of virtual items in the game. Such payments are generally non-refundable and non-cancellable. The game products are either i) authorised by third-party game developers or publishers (“Authorised Games”) or ii) self-owned (“Self-owned Game”).

i) Authorised games

When the Group markets and operates an online game product pursuant to a business arrangement under which a third-party game developer authorises the Group to conduct precision marketing, publishing and payment channel operation and/or brand development services, the Group considers the game developer as the customer and regard itself as the agent of the game developer in dealing with the end-users of the game product because (i) the game developer is responsible for providing game products, and embracing the right to authorise the Group to provide services; (ii) the game developer is responsible for the development, upgrade, update and maintenance of the game; (iii) the game developer independently sets the prices of virtual items in the game, and is responsible for the generation, transfer, operation and destruction of virtual items; and (iv) the game developer is responsible for hosting and maintaining the game server.

Pursuant to service agreement between the Group and the third-party game developer, the Group charges the game developer a service fee based on certain percentage of the gross amounts that the end players pay for the purchase of the virtual items in the game. The Group recognises the service revenue on a net basis which equals to the gross amounts collected from the end players less the amounts shared by the game developer when the end-users pay for purchase of the in-game virtual items and when such amounts are determinable.

In certain agreements where the Group provides marketing and operation support services to third party publishers who have obtained the game authorisation from game developers, the publishers are responsible for precision marketing, publishing and payment channel operation and/or brand development services and the Group only charges the publishers a service fee based on certain percentage of the gross amounts that the end players pay for the purchase of the virtual items in the games. The Group considers the publishers as the customers and regard itself as the agent of the publishers in providing marketing and operation services to the game developers. The Group recognises revenue on a net basis which equals to the amount charged to the publishers.

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In certain agreements with the third-party game developer, the Group is entitled to additional bonus based on the actual marketing performance. Revenue from such additional bonus is recognised when the amount is determined and confirmed by the customers.

ii) Self-owned game

Starting from January 2022, the Group markets and operates self-owned game product. Under such circumstance, as the Group is solely responsible for the game product development, maintenance, price setting and game server, the Group considers itself the principal of the game product and the end players as the customers. The Group has determined that it is obligated to provide on-going services to the end-users who make payments to gain an enhanced game playing experience over the playing period, and accordingly the Group recognised the revenue ratably over the estimated average playing period of these paying end-users (“Player Relation Period”), starting from the point in time when the purchase of in-game virtual items is made, and all the other revenue recognition criteria are met. The Group estimate the Player Relation Period of a game based on historical data statistics of the paying players and re-assesses such period semi-annually.

The Group may market or operate the online game products (including both Authorised Games and Self-owned game) through self-run model and joint-run model.

Under the self-run model, the Group conducts marketing, publishing and payment channel operation and/or brand development services on its own. The Group is responsible for identifying, contracting with the payment channels (primarily Weixin pay, Alipay, Apple pay) and the media platforms. Commissions paid to the payment channels are included in cost of sales and the marketing costs paid to the media platforms are included in selling expenses except for the marketing fees calculated based on pay-to-sale which are included in cost of sales.

Under the joint-run model, the Group involves collaborated distribution platforms to serve as both an end-user acquisition channel and a strategic partner with the Group to joint-run the authorised game products, a portion of the gross amounts paid by the end-users are withheld directly by the collaborating distribution platforms (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution platforms. The Group records the amount withheld by the collaborating distribution platforms under the joint-run model as part of cost of sales.

Other marketing services

Other marketing services are provided primarily for the developer of non-gaming applications (mainly literature products). Therefore, the Group considers the third-party literature content providers as its customer and itself as an agent in its arrangement with both the third-party content creators and the online literature readers. The Group recognised the service revenue on a net basis which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable.

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Sales of products

The Group sells consumer products, mainly contain rice noodle products and other fast consumer foods under the self-own brand “Zha Zha Hui”, to the end customers over third-party online retail platforms such as Douyin (“抖音”) and to the distributors.

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on the receipt and acceptance of products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract cost

Costs incurred to obtain a contract that are not incremental costs are required to be expensed as incurred, unless they are explicitly chargeable to the customer (regardless of whether the contract is obtained). Any capitalised contract costs are amortised, with the expense recognised on a systematic basis that is consistent with the entity’s transfer control of the related goods or services to the customer.

Share-based payments

The Group operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

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The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow method and a binomial model, further details of which are given in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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Other employee benefits

Pension scheme

The employees of the Group’s subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognise restructuring costs involving the payment of termination benefits.

Housing fund - Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign

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currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Principal versus agent considerations

The Group determines whether it is a principal or an agent in providing marketing and operating services by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised services before transferring the services to the customer. Otherwise, the Group is an agent and records as revenue the net amount that it retains profits agency services if its role is to arrange to provide the services. To assess whether the Group controls the services before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group is (i) the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has discretion in establishing the selling price.

Contingent liabilities on pending litigations

The Group has several pending litigations with regards to game products operated by the Group in the PRC. The Group recognised a provision for the estimated amounts to settle the obligations based on all the available information and the advice from legal counsels. If the final outcomes of these pending litigations are different with management’s estimation, there will be adjustments to the amounts provided.

Withholding tax arising from the distribution of dividends

The Group’s determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Withholding tax is provided for the profits of the subsidiaries which the Group considers it probable to be distributed in the foreseeable future. Further details are included in note 27 to the Historical Financial Information.

Contractual Arrangements

The PRC Operating Entities are mainly engaged in the provision of product marketing and operation services to online games in the PRC, which falls in the scope of “Catalogue of Restricted Foreign Investment Industries” that foreign investors are prohibited to invest.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits of the PRC Operating Entities through the Contractual Arrangements.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold direct equity interest in the PRC Operating Entities, as it has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities through the Contractual Arrangements. Accordingly, the PRC Operating Entities have been accounted as subsidiaries during the Relevant Periods. The Group has consolidated the financial position and results of the PRC Operating Entities in the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimate of the Player Relation Period for revenue from self-owned game operation

As described in note 2.4 to the Historical Financial Information, revenue from self-owned game are recognised over the Player Relation Period. The Group estimates the Player Relation Period of a game based on historical data statistics of the paying players and re-assesses such period semi-annually. While the group believes its estimates to be reasonable, it may revise such estimate in the future as there is any important changes in game player behaviour patterns, games’ operation periods and other aspects.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2020, 2021, 2022 and 30 April 2023 were nil, RMB42,499,000, RMB42,499,000 and RMB42,499,000 respectively. Further details are given in note 15 to the Historical Financial Information.

Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and other receivables are disclosed in note 20 and note 21 to the Historical Financial Information.

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Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of investment in joint ventures and associates

The Group determined whether there are indicators of impairment for investments in joint ventures and associates at the end of each reporting period. Indicators of impairment included, but not limited to serious deterioration of financial condition of the joint ventures and associates, significant drop in share prices, adverse changes in the industry market environment and other circumstances indicated that joint ventures and associates are unable to generate economic benefits for the Group. When such an indicator exists, the Group tested its investments in joint ventures and associates for impairment by comparing the estimated recoverable amounts with the carrying amounts. An impairment exists when the carrying value of investments in joint ventures and associates exceeds its recoverable amount.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management

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judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses were nil, RMB35,358,000, RMB19,912,000 and RMB3,162,000 at 31 December 2020, 2021, 2022 and 30 April 2023, respectively. Further details are contained in note 27 to the Historical Financial Information.

Fair value of share-based payments

The equity-settled share-based payments were estimated based on fair value of the awards as at the date of grant using valuation model depending on the terms and conditions of the grant. This requires the Group to determine the most appropriate inputs to the valuation model and make assumptions about them. Further details are included in note 30 to the Historical Financial Information.

Useful lives of intangible assets

Amortisation is calculated on the straight-line basis to write off the cost of each item of intangible asset to its residual value over its estimated useful life. The estimated useful lives and dates that the Group places the items of assets into productive use reflect the directors’ estimate of the periods that the Group intends to derive future economic benefits from the use of the Group’s intangible assets.

4. OPERATING SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mainland China	2,872,393	5,735,718	8,638,210	2,822,123	2,362,927
Hong Kong	-	-	179,011	24,531	85,418
	<u>2,872,393</u>	<u>5,735,718</u>	<u>8,817,221</u>	<u>2,846,654</u>	<u>2,448,345</u>

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(b) Non-current assets

As at 31 December 2020, 2021, 2022 and 30 April 2023, substantially all of the non-current assets of the Group were located in the PRC.

Information about major customers

During the year ended 31 December 2020, revenues of approximately RMB1,394,655,000 and RMB573,863,000 and RMB288,738,000 were derived from three respective single external customers each accounted for more than 10% of total revenue.

During the year ended 31 December 2021, revenues of approximately RMB2,518,748,000, RMB1,366,083,000 and RMB1,342,435,000 were derived from three respective single external customers each accounted for more than 10% of total revenue.

During the year ended 31 December 2022, revenues of approximately RMB2,796,320,000, RMB2,373,776,000 and RMB1,572,252,000 were derived from three respective single external customers each accounted for more than 10% of total revenue.

During the four months ended 30 April 2023, revenues of approximately RMB782,650,000, RMB578,381,000, RMB431,862,000 were derived from three respective single external customers each accounted for more than 10% of total revenue.

During the four months ended 30 April 2022, revenues of approximately RMB1,166,574,000 (unaudited) and RMB884,591,000 (unaudited) were derived from two respective single external customers each accounted for more than 10% of total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Type of goods or services					
Game marketing and operation - Self-run model*	2,418,164	4,695,963	6,179,622	2,040,680	1,517,627
Game marketing and operation - Joint-run model	453,343	977,156	2,383,819	753,932	814,826
Other marketing services	886	32,271	38,022	16,502	34,074
Sales of products	—	30,328	215,758	35,540	81,818
Total revenue from contracts with customers	<u>2,872,393</u>	<u>5,735,718</u>	<u>8,817,221</u>	<u>2,846,654</u>	<u>2,448,345</u>

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	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(Unaudited)	
Timing of revenue recognition					
Services transferred over time	–	–	1,145,595	438,908	267,090
Services transferred at a point in time	2,872,393	5,705,390	7,455,868	2,372,206	2,099,437
Goods transferred at a point in time	–	30,328	215,758	35,540	81,818
Total revenue from contracts with customers	<u>2,872,393</u>	<u>5,735,718</u>	<u>8,817,221</u>	<u>2,846,654</u>	<u>2,448,345</u>
Geographical markets					
Mainland China	2,872,393	5,735,718	8,638,210	2,822,123	2,362,927
Hong Kong	–	–	179,011	24,531	85,418
Total revenue from contracts with customers	<u>2,872,393</u>	<u>5,735,718</u>	<u>8,817,221</u>	<u>2,846,654</u>	<u>2,448,345</u>

* Included the revenue of marketing and operation support services provided to third party publishers amounted to RMB255,597,000, RMB98,690,000, RMB85,586,000 for the years ended 31 December 2020, 2021, 2022 and RMB29,001,000 and RMB28,011,000 for the four months ended 30 April 2022 and 2023, respectively.

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Authorised game marketing and operation

The performance obligation is satisfied upon the payment for purchase of in-game virtual items by game players as the Group has no further obligation to game developers or publishers in order to earn the service fees upon the completion of the corresponding payment. Under self-run model the payment is due immediately when the game players make the payment for in-game purchases. Under joint-run model the payment is due when the statement is received and confirmed with the collaborating distribution platforms. The Group settles the payment with game developers or publishers within 180 days from the date of billing.

Self-owned game marketing and operation

The performance obligation is satisfied over the estimated Player Relation Period. Under self-run model the payment is due immediately when the game players make the payment for in-game purchases. Under joint-run model the payment is due when the statement is received and confirmed with the collaborating distribution platforms.

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Other marketing services

The performance obligation is satisfied upon the subscription of pay-to-read services by online literature readers. The payment is due immediately when the readers make the subscription. The Group settles the payment with the literature content providers on monthly basis.

Sales of products

The performance obligation is satisfied at the point in time when the products are delivered and accepted by customers. The payment is due immediately for direct sales to the end customers on online retail platforms. The payment from the distributors is generally due within 15 days from delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 30 April 2023 are as follows:

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>30 April</u>
	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>
Amounts expected to be recognised as revenue:		
Within one year	117,712	162,114

The amounts disclosed above do not include variable consideration which is constrained. The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year relate to self-owned game marketing and operation.

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8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

On 18 March 2021, Mr. Wu Xubo(吳旭波) was appointed as chairman, chief executive officer and executive director of the Company. The Company did not have any non-executive directors and independent non-executive directors at any time during the Relevant Periods and four months ended 30 April 2022. Ms. Wu Xuan (吳璇) was appointed as executive directors of the Company in November 2022. [Ms. SONG Siyun (宋司筠), Mr. QIN Yongde (覃永德), Ms. ZHENG Yi (鄭怡) were appointed as independent non-executive directors of the Company in November 2022.]

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of the directors as recorded is set out below:

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	1,221	1,133	1,534	430	587
Equity-settled share payment expenses	254,763	–	9,093	–	15,544
Pension scheme contributions	4	28	29	10	10
	<u>255,988</u>	<u>1,161</u>	<u>10,656</u>	<u>440</u>	<u>16,141</u>

During the Relevant Periods and four months ended 30 April 2022, certain directors were granted awards, in respect of their services to the Group, under the share award scheme of the Group, further details of which are set out in note 30 to the Historical Financial Information. The fair value of such awards was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and four months ended 30 April 2022 is included in the above directors’ and chief executive’s remuneration disclosures.

(a) Independent non-executive directors

There were no remuneration paid to the independent non-executive directors during the Relevant Periods and four months ended 30 April 2022.

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(b) Executive directors and the chief executive

<u>Year ended 31 December 2020</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Equity-settled share payment expenses</u>	<u>Pension scheme contributions</u>	<u>Total remuneration</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors:				
Ms. Wu Xuan (吳璇)	330	254,763	1	255,094
Chief executive:				
Mr. Wu Xubo (吳旭波)	891	–	3	894
	<u>1,221</u>	<u>254,763</u>	<u>4</u>	<u>255,988</u>

<u>Year ended 31 December 2021</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Equity-settled share payment expenses</u>	<u>Pension scheme contributions</u>	<u>Total remuneration</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors:				
Ms. Wu Xuan (吳璇)	308	–	13	321
Chief executive:				
Mr. Wu Xubo (吳旭波)	825	–	15	840
	<u>1,133</u>	<u>–</u>	<u>28</u>	<u>1,161</u>

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<u>Year ended 31 December 2022</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Equity-settled share payment expenses</u>	<u>Pension scheme contributions</u>	<u>Total remuneration</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors:				
Ms. Wu Xuan (吳璇)	677	–	14	691
Chief executive:				
Mr. Wu Xubo (吳旭波)	<u>857</u>	<u>9,093</u>	<u>15</u>	<u>9,965</u>
	<u>1,534</u>	<u>9,093</u>	<u>29</u>	<u>10,656</u>

<u>Four months ended 30 April 2023</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Equity-settled share payment expenses</u>	<u>Pension scheme contributions</u>	<u>Total remuneration</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors:				
Ms. Wu Xuan (吳璇)	267	–	5	272
Chief executive:				
Mr. Wu Xubo (吳旭波)	<u>320</u>	<u>15,544</u>	<u>5</u>	<u>15,869</u>
	<u>587</u>	<u>15,544</u>	<u>10</u>	<u>16,141</u>

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<u>Four months ended 30 April 2022 (Unaudited)</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Equity-settled share payment expenses</u>	<u>Pension scheme contributions</u>	<u>Total remuneration</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors:				
Ms. Wu Xuan (吴璇)	144	–	5	149
Chief executive:				
Mr. Wu Xubo (吴旭波)	<u>286</u>	<u>–</u>	<u>5</u>	<u>291</u>
	<u>430</u>	<u>–</u>	<u>10</u>	<u>440</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and four months ended 30 April 2022.

During the Relevant Periods and four months ended 30 April 2022, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and four months ended 30 April 2022 included 1, 1, 1, 1 and 0 directors respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods and four months ended 30 April 2022 of the remaining 4, 4, 4, 4 and 5 highest paid employee, respectively, who is neither a director nor chief executive of the Company are as follows:

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits in kind	847	1,760	1,931	2,687	612
Equity-settled share payment expenses	834,816	–	10,064	–	16,812
Pension scheme contributions	<u>2</u>	<u>54</u>	<u>56</u>	<u>23</u>	<u>18</u>
	<u>835,665</u>	<u>1,814</u>	<u>12,051</u>	<u>2,710</u>	<u>17,442</u>

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The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
				<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Nil to HK\$1,000,000	–	4	–	5	–
HK\$1,000,001 to HK\$1,500,000	–	–	–	–	–
Over HK\$1,500,000	<u>4</u>	<u>–</u>	<u>4</u>	<u>–</u>	<u>4</u>

During the Relevant Periods and four months ended 30 April 2022, awards was granted to a non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awards was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and four months ended 30 April 2022 is included in the above non-director and non-chief executive highest paid employees’ remuneration disclosures.

During the Relevant Periods and four months ended 30 April 2022, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assembled profit arising in Hong Kong during the Relevant Periods and four months ended 30 April 2022.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practises in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the “PRC Tax Law”) effective on 1 January 2008, the PRC corporate income tax rate of the Group’s subsidiaries operating in Mainland China during the reporting period was 25% of their taxable profits.

Jiangxi Tanwan was accredited as a high and new technology enterprise (“HNTE”) in 2018 and 2021 respectively, and the certificate is valid for three years. The HNTE certificate needs to be renewed every three years so as to enable Jiangxi Tanwan to enjoy the reduced tax rate of 15%. Although Jiangxi Tanwan has re-applied for and obtained the certificate of HNTE on 3 November

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2021, it did not enjoy the preferential tax rate of 15% in 2022 and does not expect to qualify for such preferential tax rate in 2023 because of its business indicators not meeting the stipulation of HNTE, but applied the statutory rate of 25%.

ZX WFOE were accredited as “software enterprises” in 2021 under relevant PRC laws and regulations. Accordingly, ZX WFOE are exempt from Corporate Income Tax (“CIT”) for 2021 and 2022, followed by a 50% reduction in the applicable tax rates from 2023 to 2025.

The following table sets forth a breakdown of our income tax expense for the periods indicated:

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Current income tax — Mainland					
China	54,215	92,470	116,993	40,161	115,241
Deferred income tax	<u>23,043</u>	<u>(28,780)</u>	<u>(6,940)</u>	<u>(25,643)</u>	<u>(586)</u>
Total tax charge for the year/period	<u>77,258</u>	<u>63,690</u>	<u>110,053</u>	<u>14,518</u>	<u>114,655</u>

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A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Year ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	<u>(1,223,845)</u>		<u>680,131</u>		<u>601,575</u>		<u>139,101</u>		<u>356,759</u>	
Tax at the statutory tax rate	(305,961)	25	170,033	25	150,394	25	34,775	25	89,190	25
Lower tax rate(s) for specific provinces or enacted by local authority	127,024	(10)	(103,853)	(15)	(55,544)	(9)	(22,065)	(16)	(1,685)	–
Effect of withholding tax on the distributable profits of the Group’s PRC subsidiaries	–	–	–	–	–	–	–	–	8,000	2
Profits and losses attributable to joint venture and associates	1,156	–	874	–	3,110	1	1,466	1	1,561	–
Super deduction for research and development expenses	(17,916)	1	(16,600)	(2)	(10,843)	(2)	(3,048)	(2)	(6,436)	(2)
Expenses not deductible for tax purposes	272,843	(22)	16,556	2	24,397	4	4,271	3	23,586	7
Tax losses not recognised	372	–	2,438	1	2,637	–	2,176	2	1,302	–
Utilisation of previously unrecognised tax losses	–	–	(425)	–	(1,041)	–	–	–	(863)	–
Adjustments of deferred tax due to changes in tax rates	<u>(260)</u>	–	<u>(5,333)</u>	(1)	<u>(3,057)</u>	(1)	<u>(3,057)</u>	(2)	–	–
Tax charge at the Group’s effective rate	<u>77,258</u>	<u>(6)</u>	<u>63,690</u>	<u>9</u>	<u>110,053</u>	18	<u>14,518</u>	11	<u>114,655</u>	32

The share of tax attributable to joint ventures and associates amounting to nil, RMB63,000, RMB1,560,000, RMB 882,000 and nil for the years ended 31 December 2020, 2021, 2022 and four months ended 30 April 2022 and 2023 is included in “Share of profits and losses of joint ventures and associates” in the consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

Pursuant to the resolutions of the shareholders’ meetings of Jiangxi Tanwan in 2021, a dividend of RMB 100,000,000 was approved and paid to its then shareholders in the same year.

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Pursuant to the resolutions of the shareholders’ meetings of Hainan Zhangwan during four months ended 30 April 2023, a dividend of RMB 20,000,000 was approved and paid to its shareholders in the same year.

No dividends had been paid or declared by the Company during the Relevant Periods and four months ended 30 April 2022 since the Company was incorporated on 18 March 2021.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Earnings/(loss) per share information was not presented for the years ended 31 December 2020 and 2021 and four months ended 30 April 2022 as the reorganisation was not completed until 22 November 2022.

During the year ended 31 December 2022 and four months ended 30 April 2023, the calculation of the basic earnings per share amounts is based on the earnings attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue (excluding shares reserved for share option scheme). The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the implemented share subdivision (note 29).

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December 2022	Four months ended 30 April 2023
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB’000)	514,067	219,959
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	53,255,479	498,000,000
Effect of dilution - weighted average number of ordinary shares	<u>266,204</u>	<u>5,184,388</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earning share	<u><u>53,521,683</u></u>	<u><u>503,184,388</u></u>

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13. PROPERTY AND EQUIPMENT

	Electronic devices	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2020					
At 1 January 2020:					
Cost	16,921	1,848	2,725	16,195	37,689
Accumulated depreciation	<u>(7,226)</u>	<u>(114)</u>	<u>(979)</u>	<u>(4,055)</u>	<u>(12,374)</u>
Net carrying amount	<u>9,695</u>	<u>1,734</u>	<u>1,746</u>	<u>12,140</u>	<u>25,315</u>
At 1 January 2020, net of accumulated depreciation					
	9,695	1,734	1,746	12,140	25,315
Additions	4,793	307	1,010	1,897	8,007
Disposals	(320)	–	(926)	–	(1,246)
Depreciation provided during the year (note 6)	<u>(5,442)</u>	<u>(386)</u>	<u>(706)</u>	<u>(971)</u>	<u>(7,505)</u>
At 31 December 2020, net of accumulated depreciation	<u>8,726</u>	<u>1,655</u>	<u>1,124</u>	<u>13,066</u>	<u>24,571</u>
At 31 December 2020:					
Cost	21,394	2,155	2,809	18,092	44,450
Accumulated depreciation	<u>(12,668)</u>	<u>(500)</u>	<u>(1,685)</u>	<u>(5,026)</u>	<u>(19,879)</u>
Net carrying amount	<u>8,726</u>	<u>1,655</u>	<u>1,124</u>	<u>13,066</u>	<u>24,571</u>

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	Electronic devices	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2021					
At 1 January 2021:					
Cost	21,394	2,155	2,809	18,092	44,450
Accumulated depreciation	<u>(12,668)</u>	<u>(500)</u>	<u>(1,685)</u>	<u>(5,026)</u>	<u>(19,879)</u>
Net carrying amount	<u>8,726</u>	<u>1,655</u>	<u>1,124</u>	<u>13,066</u>	<u>24,571</u>
At 1 January 2021, net of accumulated depreciation					
	8,726	1,655	1,124	13,066	24,571
Additions	5,635	973	3,057	16,647	26,312
Acquisition of subsidiaries (note 32)	357	–	3,612	542	4,511
Disposals	(3,657)	(54)	–	–	(3,711)
Depreciation provided during the year (note 6)	<u>(1,952)</u>	<u>(399)</u>	<u>(1,841)</u>	<u>(2,260)</u>	<u>(6,452)</u>
At 31 December 2021, net of accumulated depreciation	<u>9,109</u>	<u>2,175</u>	<u>5,952</u>	<u>27,995</u>	<u>45,231</u>
At 31 December 2021:					
Cost	23,729	3,074	9,478	35,281	71,562
Accumulated depreciation	<u>(14,620)</u>	<u>(899)</u>	<u>(3,526)</u>	<u>(7,286)</u>	<u>(26,331)</u>
Net carrying amount	<u>9,109</u>	<u>2,175</u>	<u>5,952</u>	<u>27,995</u>	<u>45,231</u>

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	Furniture				Buildings*	
	Electronic devices	and fixtures	Motor vehicles	Leasehold improvements	RMB’000	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>		<i>RMB’000</i>
31 December 2022						
At 1 January 2022:						
Cost	23,729	3,074	9,478	35,281	–	71,562
Accumulated depreciation	<u>(14,620)</u>	<u>(899)</u>	<u>(3,526)</u>	<u>(7,286)</u>	<u>–</u>	<u>(26,331)</u>
Net carrying amount	<u>9,109</u>	<u>2,175</u>	<u>5,952</u>	<u>27,995</u>	<u>–</u>	<u>45,231</u>
At 1 January 2022, net of accumulated depreciation						
	9,109	2,175	5,952	27,995	–	45,231
Additions	4,355	375	6,053	3,973	39,367	54,123
Disposals	(337)	(5)	–	–	–	(342)
Impairment provided during the year (note 6)	–	–	–	–	(5,479)	(5,479)
Depreciation provided during the year (note 6)	<u>(4,549)</u>	<u>(603)</u>	<u>(2,712)</u>	<u>(5,568)</u>	<u>(932)</u>	<u>(14,364)</u>
At 31 December 2022, net of accumulated depreciation and impairment						
	<u>8,578</u>	<u>1,942</u>	<u>9,293</u>	<u>26,400</u>	<u>32,956</u>	<u>79,169</u>
At 31 December 2022:						
Cost	27,747	3,444	15,531	39,254	39,367	125,343
Accumulated depreciation and impairment	<u>(19,169)</u>	<u>(1,502)</u>	<u>(6,238)</u>	<u>(12,854)</u>	<u>(6,411)</u>	<u>(46,174)</u>
Net carrying amount	<u>8,578</u>	<u>1,942</u>	<u>9,293</u>	<u>26,400</u>	<u>32,956</u>	<u>79,169</u>

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	Furniture						
	Electronic	and	Motor	Leasehold	Buildings*	Construction in	Total
	devices	fixtures	vehicles	improvements		progress**	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 April 2023							
At 1 January 2023							
Cost	27,747	3,444	15,531	39,254	39,367	-	125,343
Accumulated depreciation and impairment	(19,169)	(1,502)	(6,238)	(12,854)	(6,411)	-	(46,174)
Net carrying amount	<u>8,578</u>	<u>1,942</u>	<u>9,293</u>	<u>26,400</u>	<u>32,956</u>	<u>-</u>	<u>79,169</u>
At 1 January 2023, net of accumulated depreciation							
depreciation	8,578	1,942	9,293	26,400	32,956	-	79,169
Additions	528	-	4,841	-	-	109,375	114,744
Disposals	(681)	(324)	(69)	(2,358)	-	-	(3,432)
Depreciation provided during the period (note 6)	<u>(1,302)</u>	<u>(214)</u>	<u>(1,297)</u>	<u>(3,527)</u>	<u>(339)</u>	<u>-</u>	<u>(6,679)</u>
At 30 April 2023, net of accumulated depreciation and impairment							
	<u>7,123</u>	<u>1,404</u>	<u>12,768</u>	<u>20,515</u>	<u>32,617</u>	<u>109,375</u>	<u>183,802</u>
At 30 April 2023:							
Cost	27,594	3,120	20,303	36,896	39,367	109,375	236,655
Accumulated depreciation and impairment	<u>(20,471)</u>	<u>(1,716)</u>	<u>(7,535)</u>	<u>(16,381)</u>	<u>(6,750)</u>	<u>-</u>	<u>(52,853)</u>
Net carrying amount	<u>7,123</u>	<u>1,404</u>	<u>12,768</u>	<u>20,515</u>	<u>32,617</u>	<u>109,375</u>	<u>183,802</u>

* As at 30 April 2023, the Group’s buildings with the net carrying value of RMB32,956,000 were located in Guangzhou, the PRC and the Group is in the process of obtaining the real estate certificates. An impairment of RMB5,479,000 was provided in 2022 by reference to the estimated fair value of the buildings and no further impairment was made in four months ended 30 April 2023.

** As at 30 April 2023, the Group’s construction in progress with the net carrying value of RMB 109,375,000 relates to a building under decoration which is located in Guangzhou, the PRC, and the Group is in the process of obtaining the real estate certificates.

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14. LEASES

The Group as a lessee

The Group has lease contracts for various items of offices used in its operations. Leases of offices generally have lease terms between 2 and 15 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

The Group also leased certain office premises under short-term (i.e., the lease term ends within 12 months of the date of initial application) lease arrangement. The Group has elected not to recognise right-of-use assets on these short-term lease contracts.

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the reporting periods are as follows:

	Properties
	<i>RMB ‘000</i>
As at 1 January 2020	<u>111,518</u>
Additions	27,683
Depreciation charge (note 6)	(9,406)
Remeasurement due to lease modification	<u>(1,445)</u>
As at 31 December 2020 and 1 January 2021	<u>128,350</u>
Additions	74,231
Additions as a result of acquisition of subsidiaries (note 32)	6,619
Depreciation charge (note 6)	(18,566)
Remeasurement due to lease modification	<u>(1,230)</u>
As at 31 December 2021 and 1 January 2022	<u>189,404</u>
Additions	45,579
Depreciation charge (note 6)	(31,065)
Remeasurement due to lease modification	<u>(23,689)</u>
As at 31 December 2022 and 1 January 2023	<u>180,229</u>
Additions	10,603
Depreciation charge (note 6)	(8,138)
Remeasurement due to lease modification	<u>(41,681)</u>
As at 30 April 2023	<u>141,013</u>

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(b) Lease liabilities

The carrying amounts of the Group’s lease liabilities and the movements during the reporting periods are as follows:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at beginning of year/period	119,542	139,311	210,301	212,001
New leases	27,683	74,231	45,579	10,603
Additions as a result of acquisition of subsidiaries (note 32)	–	6,686	–	–
Accretion of interest recognised during the year/period (note 7)	6,213	8,077	10,016	3,047
Payments	(12,586)	(16,739)	(26,523)	(7,193)
Remeasurement due to lease modification	(1,541)	(1,265)	(27,372)	(46,387)
Carrying amount at end of year/period	<u>139,311</u>	<u>210,301</u>	<u>212,001</u>	<u>172,071</u>
Analysed into:				
Current portion	2,134	27,793	21,247	19,010
Non-current portion	<u>137,177</u>	<u>182,508</u>	<u>190,754</u>	<u>153,061</u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Interest on lease liabilities	6,213	8,077	10,016	3,323	3,047
Depreciation charge of right-of-use assets	9,406	18,566	31,065	10,196	8,138
Expense relating to short-term leases (included in cost of sales)	–	69	30	–	120
Gain on lease modification	(96)	(37)	(2,708)	(199)	(3,908)
Total amount recognised in profit or loss	<u>15,523</u>	<u>26,675</u>	<u>38,403</u>	<u>13,320</u>	<u>7,397</u>

The total cash outflow for leases are disclosed in note 33(c) to the Historical Financial Information.

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15. GOODWILL

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Guangzhou Chichi	–	27,917	27,917	27,917
Hainan Zhangwan	–	<u>14,582</u>	<u>14,582</u>	<u>14,582</u>
Cost and net carrying amount at end of year	–	<u>42,499</u>	<u>42,499</u>	<u>42,499</u>

On 10 September 2021, goodwill arisen from the acquisition of Guangzhou Chichi (note 32) amounted to RMB27,917,000.

On 10 March 2021, goodwill arisen from the acquisition of Hainan Zhangwan (note 32) amounted to RMB14,582,000.

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to cash-generating unit, namely Guangzhou Chichi cash-generating unit and namely Hainan Zhangwan Guangzhou cash-generating unit (collectively of the two above, the “CGUs”) for impairment testing.

The recoverable amounts of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to the cash flow projections, the revenue growth rate, EBIT margin and the terminal growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period are as follows:

Guangzhou Chichi CGU:

	<u>As at 31 December 2021</u>	<u>As at 31 December 2022</u>	<u>As at 30 April 2023</u>
Compound revenue growth rate	25.54%	30.38%	30.30%
EBIT margin	(2%)~4%	(1%)~4%	(1%)~4%
Pre-tax discount rate	29.56%	30.83%	29.74%
Terminal growth rate	3%	3%	3%

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Hainan Zhangwan CGU:

	As at 31 December 2021	As at 31 December 2022	As at 30 April 2023
Compound revenue growth rate	7.08%	5.37%	4.47%
EBIT margin	1%~3%	2%~3%	3%~5%
Pre-tax discount rate	31.49%	32.96%	35.44%
Terminal growth rate	3%	3%	3%

Key assumptions used in the value in use calculation

The calculation of value in use is based on the following assumptions:

Revenue growth rate — the rate is based on the average growth achieved in the past years and the synergies from new acquisitions.

EBIT margin — EBIT margin is based on the average EBIT margin achieved in the year immediately before the budget year and is increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rate — the rate reflects management’s estimate of the risks specific to the unit.

Terminal growth rate — the rate is based on published industry research.

The values assigned to the key assumptions on gross profit margin, discount rates and growth rates are consistent with management’s past experience and external information sources.

As at 31 December 2021, the recoverable amount of Guangzhou Chichi cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB22,083,000, and the recoverable amount of Hainan Zhangwan cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB60,806,000.

As at 31 December 2022, the recoverable amount of Guangzhou Chichi cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB37,939,000, and the recoverable amount of Hainan Zhangwan cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB75,678,000.

As at 30 April 2023, the recoverable amount of Guangzhou Chichi cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB17,765,000, and the recoverable amount of Hainan Zhangwan cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB27,157,000.

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Decreases in the revenue growth rate or EBIT margin as follows (with other assumptions remaining unchanged) would result in Guangzhou Chichi cash-generating unit’s recoverable amount equal to its carrying amount:

	As at 31 December 2021	As at 31 December 2022	As at 30 April 2023
	<i>Increase/(decrease)</i>	<i>Increase/(decrease)</i>	<i>Increase/(decrease)</i>
Compound revenue growth rates	(15.14%)	(16.27%)	(8.37%)
EBIT margin	(1.31%)	(1.53%)	(0.70%)

Decreases in the revenue growth rate or EBIT margin as follows (with other assumptions remaining unchanged) would result in Hainan Zhangwan cash-generating unit’s recoverable amount equal to its carrying amount:

	As at 31 December 2021	As at 31 December 2022	As at 30 April 2023
	<i>Increase/(decrease)</i>	<i>Increase/(decrease)</i>	<i>Increase/(decrease)</i>
Compound revenue growth rates	(1.41%)	(7.15%)	(12.59%)
EBIT margin	(1.85%)	(2.71%)	(3.69%)

In the opinion of the directors, except for the above, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit’s carrying amount to exceed its recoverable amount as at 31 December 2021, 2022 and 30 April 2023.

16. OTHER INTANGIBLE ASSETS

	Computer software	Domain Name	Game Operation Agreements	Copyright	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2020					
Cost at 1 January 2020, net of accumulated amortisation	342	7,427	–	–	7,769
Amortisation provided during the year (note 6)	(104)	(768)	–	–	(872)
At 31 December 2020	<u>238</u>	<u>6,659</u>	<u>–</u>	<u>–</u>	<u>6,897</u>

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	Computer software	Domain Name	Game Operation Agreements	Copyright	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 31 December 2020					
Cost	1,046	7,689	–	–	8,735
Accumulated amortisation	<u>(808)</u>	<u>(1,030)</u>	<u>–</u>	<u>–</u>	<u>(1,838)</u>
Net carrying amount	<u>238</u>	<u>6,659</u>	<u>–</u>	<u>–</u>	<u>6,897</u>
31 December 2021					
Cost at 1 January 2021, net of accumulated amortisation					
	238	6,659	–	–	6,897
Additions	486	7,641	–	–	8,127
Acquisition of subsidiaries (note 32)	204	–	47,000	–	47,204
Amortisation provided during the year (note 6)	<u>(304)</u>	<u>(764)</u>	<u>(27,333)</u>	<u>–</u>	<u>(28,401)</u>
At 31 December 2021	<u>624</u>	<u>13,536</u>	<u>19,667</u>	<u>–</u>	<u>33,827</u>
At 31 December 2021					
Cost	1,736	15,330	47,000	–	64,066
Accumulated amortisation	<u>(1,112)</u>	<u>(1,794)</u>	<u>(27,333)</u>	<u>–</u>	<u>(30,239)</u>
Net carrying amount	<u>624</u>	<u>13,536</u>	<u>19,667</u>	<u>–</u>	<u>33,827</u>
31 December 2022					
Cost at 1 January 2022, net of accumulated amortisation					
	624	13,536	19,667	–	33,827
Additions	684	–	–	60,000	60,684
Amortisation provided during the year (note 6)	<u>(411)</u>	<u>(1,533)</u>	<u>(18,833)</u>	<u>(30,000)</u>	<u>(50,777)</u>
At 31 December 2022	<u>897</u>	<u>12,003</u>	<u>834</u>	<u>30,000</u>	<u>43,734</u>
At 31 December 2022					
Cost	2,420	15,330	47,000	60,000	124,750
Accumulated amortisation	<u>(1,523)</u>	<u>(3,327)</u>	<u>(46,166)</u>	<u>(30,000)</u>	<u>(81,016)</u>
Net carrying amount	<u>897</u>	<u>12,003</u>	<u>834</u>	<u>30,000</u>	<u>43,734</u>

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	Computer software	Domain Name	Game Operation Agreements	Copyright	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
30 April 2023					
Cost at 1 January 2023, net of accumulated amortisation	897	12,003	834	30,000	43,734
Additions	6,546	–	–	–	6,546
Amortisation provided during the period (note 6)	<u>(516)</u>	<u>(580)</u>	<u>(834)</u>	<u>(10,000)</u>	<u>(11,930)</u>
At 30 April 2023	<u>6,927</u>	<u>11,423</u>	<u>–</u>	<u>20,000</u>	<u>38,350</u>
At 30 April 2023					
Cost	8,966	15,330	47,000	60,000	131,296
Accumulated amortisation	<u>(2,039)</u>	<u>(3,907)</u>	<u>(47,000)</u>	<u>(40,000)</u>	<u>(92,946)</u>
Net carrying amount	<u>6,927</u>	<u>11,423</u>	<u>–</u>	<u>20,000</u>	<u>38,350</u>

17. INVESTMENTS IN JOINT VENTURES

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share of net assets	263,836	255,295	262,725	262,241
Goodwill on acquisition	<u>10,100</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
	273,936	262,295	269,725	269,241
Provision for impairment	<u>(5,895)</u>	<u>(2,537)</u>	<u>(2,537)</u>	<u>(2,537)</u>
	<u>268,041</u>	<u>259,758</u>	<u>267,188</u>	<u>266,704</u>

The Group’s related party balances with joint ventures are disclosed in note 36 to the Historical Financial Information.

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Particulars of the Group’s material joint ventures are as follows:

<u>Name</u>	<u>Particulars of registered capital held</u>	<u>Date and place of registration and business</u>	<u>Percentage of ownership interest attributable to the Group</u>	<u>Principal activities</u>
Zhejiang Xuwan Technology Co., Ltd. (浙江旭玩科技有限公司) *	RMB500,000,000 as registered capital	5 July 2018 PRC/ Mainland China	2020:60% 2021-2023 40%	Technical services and development
Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. (廣州市澤達新文創產業發展有限公司) *	RMB200,000,000 as registered capital	7 April 2020 PRC/ Mainland China	26%	Real estate development, management and interactive entertainment product marketing business

The above investments are held through a consolidated affiliate entity of the Company. They are joint venture of the Group as the decisions about the relevant activities of the entities require the unanimous consent of the shareholders.

* The Group invested in Zhejiang Xuwan Technology Co., Ltd and Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd (“Zeda”) in 2020.

* As at 30 April 2023, the Group’s investment in Zeda was pledged to the Agricultural Bank of China to guarantee the bank borrowings of Zeda with the maximum guarantee amount of RMB405,000,000 (note 36).

Zeda acquired a land use right in 2020 for a period of 50 years and started the construction of properties in 2022. As at 30 April 2023, Zeda had a bank borrowing amount of RMB25,000,000 from the Agricultural Bank of China for the purpose of the construction.

During the Relevant Periods, there was no impairment provided for the investment in Zeda by taking into account the fair value of the land.

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The following table illustrates the summarised financial information in respect of Zhejiang Xuwan Technology Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current assets	32,643	97,497	171,813	159,234
Non-current assets	374,074	343,323	324,631	309,816
Current liabilities	(139)	(16,250)	(57,495)	(30,268)
Net assets	<u>406,578</u>	<u>424,570</u>	<u>438,949</u>	<u>438,782</u>
Reconciliation to the Group’s interest in the associate:				
Group’s share of net assets of the associate	<u>208,249</u>	<u>207,105</u>	<u>214,120</u>	<u>214,038</u>
Goodwill on acquisition (less cumulative impairment)	–	–	–	–
Carrying amount of the investment	<u>208,249</u>	<u>207,105</u>	<u>214,120</u>	<u>214,038</u>

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>
Revenue	110	91,469	99,644	32,823	39,145
Profit/(loss) for the year/period	(3,418)	18,154	14,379	4,886	(167)
Total comprehensive income/(loss) for the year/period	(3,418)	18,154	14,379	4,886	(167)

The following table illustrates the summarised financial information in respect of Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current assets	390	420	9,231	25,500
Non-current assets	224,637	220,121	222,451	234,805
Current liabilities	(101,087)	(102,916)	(52,472)	(57,100)
Non-current liabilities	–	–	–	(25,000)
Net assets	<u>123,940</u>	<u>117,625</u>	<u>179,210</u>	<u>178,205</u>

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	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Reconciliation to the Group’s interest in the associate:				
Group’s share of net assets of the associate	<u>50,741</u>	<u>46,509</u>	<u>46,595</u>	<u>46,333</u>
Goodwill on acquisition (less cumulative impairment)	–	–	–	–
Carrying amount of the investment	<u>50,741</u>	<u>46,509</u>	<u>46,595</u>	<u>46,333</u>

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	–	–	–	–	–
Loss for the year/period	(3,075)	(10,703)	(7,012)	(3,778)	(1,005)
Total comprehensive loss for the year/ period	(3,075)	(10,703)	(7,012)	(3,778)	(1,005)

(Unaudited)

The following table illustrates the aggregate financial information of the Group’s joint ventures that are not individually material:

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share of the joint ventures’ profit/(loss) for the year/period	651	(405)	330	(13)	(141)

(Unaudited)

	<u>As at 31 December</u>			<u>As at 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	
Aggregate carrying amount of the Group’s investments in the Joint ventures		9,051	6,144	6,473	6,332

18. INVESTMENTS IN ASSOCIATES

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share of net assets	5,816	4,870	5,992	4,276

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The Group’s related party balances with the associates are disclosed in note 36 to the Historical Financial Information.

Particulars of the associates are as follows:

Name	Particulars of registered capital held	Date and place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Fuzhou Zizai Entertainment Internet Technology Co., Ltd. (福州自在互娛網絡科技有限公司) (“Fuzhou Zizai”)	RMB1,388,000 as registered capital	27 May 2020 PRC/ Mainland China	2020:20% 2021-2023:28%	Animation game development
Hangzhou Shengxu Miracle Network Technology Co., Ltd. (杭州盛旭奇跡網絡科技有限公司) (“Hangzhou Shengxu”)	RMB100,000,000 as registered capital	25 January 2022 PRC/ Mainland China	49%	Technical services and development

The above investments are held through a consolidated affiliate entity of the Company.

The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share of the associates’ loss for the year/period	<u>(4,184)</u>	<u>(15,946)</u>	<u>(33,878)</u>	<u>(6,806)</u>	<u>(11,516)</u>
				(Unaudited)	
				<u>As at 31 December</u>	
				<u>2020</u>	<u>2021</u>
				<u>2022</u>	<u>2023</u>
				<i>RMB’000</i>	<i>RMB’000</i>
Aggregate carrying amount of the Group’s investments in the associates’		<u>5,816</u>	<u>4,870</u>	<u>5,992</u>	<u>4,276</u>
				<i>RMB’000</i>	<i>RMB’000</i>

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The movement of the carry amount of investments in associates as set out in the table below.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Investments in the associates as at 1 January	–	5,816	4,870	5,992
Capital injection	10,000	15,000	35,000	9,800
Share of the associates’ losses for the year/period	<u>(4,184)</u>	<u>(15,946)</u>	<u>(33,878)</u>	<u>(11,516)</u>
Investments in the associates as at 31 December/ 30 April	<u>5,816</u>	<u>4,870</u>	<u>5,992</u>	<u>4,276</u>

The above two associates incurred losses during the Relevant Periods as they are under the development of games which are expected to launch in 2023 or 2024. The Group performed an impairment assessment on the investment in Fuzhou Zizai and Hangzhou Shengxu and the recoverable amount of the investment in the associate has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. Based on the impairment assessment, the recoverable amount of the investment in the associate has exceeded its carrying amount and accordingly no impairment is required.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Wealth management products, at fair value	497,834	1,039,932	471,530	680,293
Listed equity investments, at fair value	50,611	8,441	799,805	597,585
Fund investments, at fair value	<u>2,001</u>	<u>41,596</u>	–	–
	<u>550,446</u>	<u>1,089,969</u>	<u>1,271,335</u>	<u>1,277,878</u>

The above wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 31 December 2020, 2021, 2022 and 30 April 2023, the carrying amounts of wealth management products of RMB497,834,000, RMB1,039,932,000, RMB471,530,000 and RMB680,293,000 were pledged for discounted bills and bills payables.

The above listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above fund investments were private equity funds and monetary funds. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair values of wealth management products and fund investments were recognised based on the observable inputs of valuation models from the private equity funds and were

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within level 2 of the fair value hierarchy. The fair values of investment in listed companies were recognised at quoted price in active markets.

20. TRADE RECEIVABLES

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	230,606	273,863	430,209	311,614
Impairment	<u>(8,610)</u>	<u>(2,777)</u>	<u>(3,392)</u>	<u>(3,341)</u>
Trade receivables, net	<u>221,996</u>	<u>271,086</u>	<u>426,817</u>	<u>308,273</u>

The Group’s trade receivables mainly represent amounts receivable from third-party collaborated distribution platforms and online retail platforms. The credit period for collaborated distribution platforms is generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by the Group management. In view of the aforementioned and the fact that the Group’s trade receivables principally relate to diversified application distribution platforms, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction dates and net of loss allowance, is as follows:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	219,754	269,951	424,403	304,068
1 to 2 years	813	1,127	2,222	4,105
Over 2 years	<u>1,429</u>	<u>8</u>	<u>192</u>	<u>100</u>
	<u>221,996</u>	<u>271,086</u>	<u>426,817</u>	<u>308,273</u>

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The movements in the allowance for impairment of trade receivables are as follows:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year/period	14,322	8,610	2,777	3,392
Provision for expected credit losses, net (note 6)	(5,373)	(5,711)	615	(51)
Amount written off as uncollectible	<u>(339)</u>	<u>(122)</u>	<u>—</u>	<u>—</u>
At end of year/period	<u>8,610</u>	<u>2,777</u>	<u>3,392</u>	<u>3,341</u>

The Group applies the simplified approach to provide for expected credit losses under HKFRS 9, and the provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The Group used a calculation which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided for 100% of the defaulted receivables during the Relevant Periods.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at 31 December 2020

	<u>Amount</u>	<u>Expected</u>	<u>Impairment</u>
	<i>RMB’000</i>	<i>loss rate</i>	<i>RMB’000</i>
		<i>%</i>	
Default receivables	1,925	100%	1,925
Other trade receivables aged:			
Current	197,576	2%	2,964
Past due for 6 months to 1.5 year	27,377	6%	1,699
Past due for 1.5 years to 2.5 years	2,661	36%**	955
Past due for over 2.5 years	<u>1,067</u>	<u>100%</u>	<u>1,067</u>
	<u>230,606</u>		<u>8,610</u>

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As at 31 December 2021

	<u>Amount</u>	<u>Expected loss rate</u>	<u>Impairment</u>
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>
Default receivables	1,925	100%	1,925
Other trade receivables aged:			
Current	248,032	–*	74
Past due for 6 months to 1.5 years	23,016	–*	40
Past due for 1.5 years to 2.5 years	161	6%**	9
Past due for over 2.5 years	<u>729</u>	<u>100%</u>	<u>729</u>
	<u>273,863</u>		<u>2,777</u>

As at 31 December 2022

	<u>Amount</u>	<u>Expected loss rate</u>	<u>Impairment</u>
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>
Default receivables	1,925	100%	1,925
Other trade receivables aged:			
Current	392,225	–*	249
Past due for 6 months to 1.5 years	35,026	1%	449
Past due for 1.5 years to 2.5 years	375	30%	111
Past due for over 2.5 years	<u>658</u>	<u>100%</u>	<u>658</u>
	<u>430,209</u>		<u>3,392</u>

As at 30 April 2023

	<u>Amount</u>	<u>Expected loss rate</u>	<u>Impairment</u>
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>
Default receivables	1,925	100%	1,925
Other trade receivables aged:			
Current	295,598	–*	188
Past due for 6 months to 1.5 years	12,923	3%	344
Past due for 1.5 years to 2.5 years	357	20%	73
Past due for over 2.5 years	<u>811</u>	<u>100%</u>	<u>811</u>
	<u>311,614</u>		<u>3,341</u>

* Less than 0.01%

** The expected credit loss rate is calculated based on historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic

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environment. Due to the improved credit control and faster collection of past due receivables in 2021, the Group expected that most of the amounts past due for 1.5 years to 2.5 years will be collected and therefore a lower expected credit loss rate was calculated.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB ‘000</i>	<i>RMB ‘000</i>	<i>RMB ‘000</i>	<i>RMB ‘000</i>
Non-current				
Loans to employees	48,107	20,684	1,996	1,935
Prepayments for property and equipment	39,367	39,367	109,376	–
Prepayments for right-of-use assets	–	–	–	44,121
Deposits and other receivables	1,815	7,865	7,811	13,961
Time deposits with original maturity of over one year	150,184	34,720	–	101,751
Prepayments for other intangible assets	–	15,000	–	–
	<u>239,473</u>	<u>117,636</u>	<u>119,183</u>	<u>161,768</u>
Less: allowance for impairment	–	–	–	–
	<u>239,473</u>	<u>117,636</u>	<u>119,183</u>	<u>161,768</u>
Current				
Prepayment for marketing and promotion services	97,926	46,012	109,282	116,886
Deposits and other receivables	176,175	108,719	187,560	110,855
Prepayment to game developers	53,797	75,559	148,171	174,507
Undrawn deposits on third party payment channels	10,520	15,550	39,733	108,425
Deductible input VAT	66,786	71,782	83,418	87,938
Prepaid expenses	552	7,974	1,785	6,014
Time deposits with original maturity of over three months but less than one year	–	65,671	48,093	28,787
Contract costs for self-owned game	–	–	61,686	48,029
Deferred [REDACTED] expenses	–	1,613	6,386	8,892
	<u>405,756</u>	<u>392,880</u>	<u>686,114</u>	<u>690,333</u>
Less: allowance for impairment	<u>(12,372)</u>	<u>(17,187)</u>	<u>(18,791)</u>	<u>(20,731)</u>
	<u>393,384</u>	<u>375,693</u>	<u>667,323</u>	<u>669,602</u>

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The Company

	<u>As at 31 December 2021</u> <i>RMB’000</i>	<u>As at 31 December 2022</u> <i>RMB’000</i>	<u>As at 30 April 2023</u> <i>RMB’000</i>
Deferred [REDACTED] expenses	<u>1,613</u>	<u>6,386</u>	<u>8,892</u>

The loan to employees provided by the Group bears interests of 4.75% p.a. and will due for repayment within five years.

The loan due from third parties was repayable within one year and bears interests at rates of not higher than 4.90% per annum.

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. The default other receivables as at 31 December 2020, 2021, 2022 and 30 April 2023 was RMB12,372,000, RMB 17,187,000, RMB 18,791,000 and 18,751,000, respectively.

22. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	2,067,689	4,091,908	6,674,268	7,180,634
Less: Non-current restricted cash	(17,943)	(10,000)	–	–
Current restricted cash	(84,933)	(25,863)	(10,394)	(39,190)
Non-current pledged time deposits	(876,395)	(2,022,247)	(3,395,558)	(3,006,106)
Current pledged time deposits	(544,762)	(1,239,799)	(3,006,801)	(3,605,530)
Non-pledged time deposit with original maturity of over three months and less than one year (note 21)	–	(65,671)	(48,093)	(28,787)
Non-pledged time deposit with original maturity of over one year (note 21)	(150,184)	(34,720)	–	(101,751)
Cash and cash equivalents	<u>393,472</u>	<u>693,608</u>	<u>213,422</u>	<u>399,270</u>

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Denominated in:

RMB	393,306	680,838	177,360	374,374
USD	161	3,381	3,446	12,482
HKD	5	9,389	32,616	12,414

As at 31 December 2020, 2021, 2022 and 30 April 2023, restricted cash amounted to RMB90,000,000, RMB19,100,000, RMB10,000,000 and RMB11,415,000, representing deposits held in designated bank accounts for pending litigations. As at 31 December 2020, 2021, 2022 and 30 April 2023, restricted cash amounted to RMB12,876,000, RMB16,763,000, RMB394,000 and RMB27,775,000 representing bank deposits designated for securing bills payable.

As at 31 December 2020, 2021, 2022 and 30 April 2023, pledged time deposits amounted to RMB1,421,157,000, RMB3,262,046,000, RMB6,402,359,000 and RMB6,611,636,000, were restricted and pledged for discounted bills and bills payable of the Group (note 24 and note 26).

The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	<u>275,562</u>	<u>560,035</u>	<u>523,649</u>	<u>532,211</u>
	<u>275,562</u>	<u>560,035</u>	<u>523,649</u>	<u>532,211</u>

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An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	212,759	551,834	521,280	528,985
1 to 2 years	61,100	5,044	1,464	2,178
2 to 3 years	1,522	2,148	134	203
Over 3 years	<u>181</u>	<u>1,009</u>	<u>771</u>	<u>845</u>
	<u>275,562</u>	<u>560,035</u>	<u>523,649</u>	<u>532,211</u>

The trade payables are non-interest-bearing and are normally settled on 1-year terms.

Included in trade payables amounts of RMB264,965,000, RMB542,533,000, RMB488,394,000 and RMB517,695,000 were payables to game developers as at 31 December 2020, 2021, 2022 and 30 April 2023, respectively.

24. BILLS PAYABLES

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bills payables	<u>1,729,989</u>	<u>3,422,140</u>	<u>5,640,211</u>	<u>5,861,676</u>
	<u>1,729,989</u>	<u>3,422,140</u>	<u>5,640,211</u>	<u>5,861,676</u>

The bills payables are due for payment within 1 year and the Group bears finance costs at 1.2%~2.9% p.a. for the extended maturity date of 12 months.

Included in bills payables amounts of RMB341,334,000, RMB600,653,000, RMB1,464,893,000 and RMB1,445,403,000 were payables to game developers as at 31 December 2020, 2021, 2022 and 30 April 2023, respectively.

Included in bills payables amounts of RMB1,193,655,000, RMB2,816,691,000, RMB4,145,444,000, and RMB4,416,273,000 were payables for marketing and promotion services as at 31 December 2020, 2021, 2022 and 30 April 2023, respectively.

The time deposits and financial assets at fair value through profit or loss in total of RMB1,918,991,000, RMB4,210,729,000, RMB6,314,746,000 and RMB6,846,595,000 were

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pledged for bills payables as at 31 December 2020, 2021, 2022 and 30 April 2023. Details are set out in note 19 and note 22 to the Historical Financial Information.

25. OTHER PAYABLES AND ACCRUALS

The Group

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Marketing and promotion services payables	239,911	411,315	472,498	441,238
Payables for amounts collected on behalf of third party publishers	556,325	203,874	–	–
Salaries and benefits payables	44,559	104,758	140,940	106,247
Other tax payables	57,511	96,431	49,362	59,595
Contract liabilities*	–	–	117,712	162,114
Prepayments from suppliers	–	–	13,319	10,273
Other payables**	<u>62,771</u>	<u>126,746</u>	<u>107,388</u>	<u>61,260</u>
	<u>961,077</u>	<u>943,124</u>	<u>901,219</u>	<u>840,727</u>

Details of contract liabilities are as follows:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Advances received from players for self-owned game operations	–	–	117,712	162,114
	<u>–</u>	<u>–</u>	<u>117,712</u>	<u>162,114</u>

* Contract liabilities include the advances received from the players of the self-owned game operated by the Group in 2022 and the four months ended 30 April 2023.

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The Company

	<u>As at</u> <u>31 December</u> <u>2021</u> <i>RMB’000</i>	<u>As at</u> <u>31 December</u> <u>2022</u> <i>RMB’000</i>	<u>As at</u> <u>30 April</u> <u>2023</u> <i>RMB’000</i>
Other payables and accruals**	<u>–</u>	<u>45,463</u>	<u>2,046</u>

** Other payables are non-interest-bearing and repayable on demand.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Discounted bills	–	89,950	555,844	442,716

The discounted bills bear interests at 1.3%~2.8% p.a. and repayable within 1 year.

The pledged deposits and financial assets at fair value through profit or loss in total of RMB91,249,000, RMB559,143,000 and RMB445,334,000 were pledged for discounted bills as at 31 December 2021, 2022 and, 30 April 2023 respectively. Details are set out in note 19 and note 22 to the Historical Financial Information.

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27. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Lease liabilities	Impairment of assets	Accrued liabilities	Tax losses	Investments measured at FVTPL	Contract liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020	29,719	7,138	27,594	42	–	–	64,493
Deferred tax credited/(charged) to the profit or loss during the year	3,658	(3,107)	(27,549)	(42)	–	–	(27,040)
At 31 December 2020	<u>33,377</u>	<u>4,031</u>	<u>45</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>37,453</u>
At 1 January 2021	33,377	4,031	45	–	–	–	37,453
Deferred tax credited/(charged) to the profit or loss during the year	17,363	(176)	1,711	24,171	175	–	43,244
Increase as a result of acquisition of subsidiaries	–	–	–	11,187	–	–	11,187
At 31 December 2021	<u>50,740</u>	<u>3,855</u>	<u>1,756</u>	<u>35,358</u>	<u>175</u>	<u>–</u>	<u>91,884</u>
At 1 January 2022	50,740	3,855	1,756	35,358	175	–	91,884
Deferred tax credited/(charged) to the profit or loss during the year	1,461	3,695	532	(15,446)	(175)	29,427	19,494
At 31 December 2022	<u>52,201</u>	<u>7,550</u>	<u>2,288</u>	<u>19,912</u>	<u>–</u>	<u>29,427</u>	<u>111,378</u>
At 1 January 2023	52,201	7,550	2,288	19,912	–	29,427	111,378
Deferred tax credited/(charged) to the profit or loss during the year	(10,303)	472	(1,501)	(15,887)	10,307	11,102	(5,810)
At 30 April 2023	<u>41,898</u>	<u>8,022</u>	<u>787</u>	<u>4,025</u>	<u>10,307</u>	<u>40,529</u>	<u>105,568</u>

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The movements in deferred tax liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

	<u>Right of use assets</u>	<u>Investments measured at FVTPL</u>	<u>Fair value adjustments arising from acquisition of subsidiaries</u>	<u>Contract costs for self-owned game</u>	<u>Withholding tax on the distributable profits</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020	27,720	7,863	–	–	–	35,583
Deferred tax charged/ (credited) to the profit or loss during the year	2,926	(6,923)	–	–	–	(3,997)
At 31 December 2020	<u>30,646</u>	<u>940</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>31,586</u>
At 1 January 2021	30,646	940	–	–	–	31,586
Deferred tax charged/ (credited) to the profit or loss during the year	15,074	(610)	–	–	–	14,464
Increase as a result of acquisition of subsidiaries	–	–	4,917	–	–	4,917
At 31 December 2021	<u>45,720</u>	<u>330</u>	<u>4,917</u>	<u>–</u>	<u>–</u>	<u>50,967</u>
At 1 January 2022	45,720	330	4,917	–	–	50,967
Deferred tax charged/ (credited) to the profit or loss during the year	(945)	2,787	(4,709)	15,421	–	12,554
At 31 December 2022	<u>44,775</u>	<u>3,117</u>	<u>208</u>	<u>15,421</u>	<u>–</u>	<u>63,521</u>
At 1 January 2023	44,775	3,117	208	15,421	–	63,521
Deferred tax charged/ (credited) to the profit or loss during the year	(9,697)	(1,077)	(208)	(3,414)	8,000	(6,396)
At 30 April 2023	<u><u>35,078</u></u>	<u><u>2,040</u></u>	<u><u>–</u></u>	<u><u>12,007</u></u>	<u><u>8,000</u></u>	<u><u>57,125</u></u>

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For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<u>As at 31 December</u>			<u>As at</u> <u>30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<u>5,867</u>	<u>40,917</u>	<u>47,857</u>	<u>48,443</u>

Deferred tax assets have not been recognised in respect of the following items:

	<u>As at 31 December</u>			<u>As at</u> <u>30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Tax losses	<u>9,705</u>	<u>19,572</u>	<u>44,702</u>	<u>55,961</u>

The above tax losses were all arising in Mainland China and will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax (“WHT”). If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5% in certain circumstances. For the Group, the applicable rate is 10%.

As at 30 April 2023, deferred tax liability of RMB8,000,000 was provided for withholding taxes on the profits of subsidiaries in the PRC which the Group considers that it is probable to be distributed in the foreseeable future.

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28. PROVISION

	<u>Litigation</u> <i>RMB’000</i>
At 1 January 2020	<u>—</u>
Additional provision	300
Amounts utilised during the year	<u>—</u>
At 31 December 2020 and 1 January 2021	<u>300</u>
Additional provision	11,410
Amounts utilised during the year	<u>—</u>
At 31 December 2021 and 1 January 2022	<u>11,710</u>
Additional provision	—
Amounts utilised during the year	<u>(2,560)</u>
At 31 December 2022 and 1 January 2023	<u>9,150</u>
Additional provision	—
Amounts utilised during the period	<u>(6,000)</u>
At 30 April 2023	<u>3,150</u>

The provision mainly related to pending litigations with regards to game products operated by the Group in PRC. The Group accrued provision according to the verdict of the first instance. For further details of the litigations, refer to the section headed “Business — Legal Proceedings and Compliance — Legal Proceedings” in the Document.

29. SHARE CAPITAL AND TREASURY SHARES

The Group and the Company

On 18 March 2021, the Company was incorporated with an authorised share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.0 each.

On 18 March 2021, the Company issued one share to an independent third party for US\$1.0, which was subsequently transferred to WXB BVI 1 (a BVI company wholly-owned by Mr. WU Xubo) for US\$1.0 on the same day.

On 3 November 2022, the Company subdivided its share capital of US\$50,000 in 50,000 ordinary shares of US\$1.0 into 2,500,000,000 ordinary shares of US\$0.00002 each.

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On 22 November 2022, the Company issued and allotted an aggregate of 515,413,918 shares with a par value of US\$0.00002 to the equity holders of Jiangxi Tanwan and the shareholding platforms of the Pre-[REDACTED] share scheme, details of which are set out in “History, Reorganisation and Corporate Structure – Corporate Reorganisation – Offshore Shareholding Restructuring” of the Document.

Shares

	<u>31 December 2021</u>	<u>31 December 2022</u>	<u>30 April 2023</u>
			<i>RMB’000</i>
Authorised:			
50,000 ordinary shares of US\$1.0 each	319	–	–
2,500,000,000 ordinary shares of US\$0.00002 each	<u>–</u>	<u>319</u>	<u>319</u>
Issued:			
515,463,918 ordinary shares*	<u>–</u>	<u>74</u>	<u>74</u>

* As at 31 December 2022 and 30 April 2023, the total number of issued ordinary shares included 17,463,918 shares held for share option scheme, with par values of RMB3,000.

In order to facilitate the administration of share option scheme, on 22 November 2022, the Company issued an aggregate of 17,463,918 shares to three BVI entities, namely GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited for grant of options to the employees. Such three BVI entities were considered as an extension of the Company and shares, other than those exercised, held for share option scheme were presented as treasury shares in both consolidated and separate financial statements of the Company.

The total number of issued ordinary shares includes treasury shares as set out in the table below.

A summary of movements in the issued share capital from 18 March 2021 (date of incorporation) to 30 April 2023 was as follows:

	<u>Number of shares authorised</u>	<u>Number of shares in issue</u>	<u>Share capital RMB’000</u>
At 18 March 2021 (date of incorporation)	50,000	–	–
Share issued	<u>–</u>	<u>1</u>	<u>–</u>
At 31 December 2021 and 1 January 2022	50,000	1	–*
Share subdivision	2,499,950,000	49,999	–*
Shares issued	<u>–</u>	<u>515,413,918</u>	<u>74</u>
At 31 December 2022 and 30 April 2023	<u>2,500,000,000</u>	<u>515,463,918</u>	<u>74</u>

* less than RMB1,000.

30. SHARE AWARD SCHEME

Share Scheme of Jiangxi Tanwan

Jiangxi Tanwan Information Technology Co., Ltd. (“Jiangxi Tanwan”), a subsidiary of the Group, granted share awards of Jiangxi Tanwan’s shares at nominal values to incentivise and retain the key employees since its establishment. The grant of awards was conducted through four share-based payment incentive platforms, named Shangrao Hechuang Enterprise Management Centre (Limited Partnership) (“Shangrao Hechuang ESOP”), Shangrao Hezhong Enterprise Management Centre (Limited Partnership) (“Shangrao Hezhong ESOP”), Shangrao Hongbang Enterprise Management Centre (Limited Partnership) (“Shangrao Hongbang ESOP”) and Shangrao Qichuang Enterprise Management Centre (Limited Partnership) (“Shangrao Qichuang ESOP”).

During the year ended 31 December 2020, 2.11% equity interests in Shangrao Hongbang ESOP were granted to Ms. Wu Xuan for nil consideration. There was no performance or service conditions for the award and the shares were fully vested upon grant.

During the year ended 31 December 2020, 78.27% equity interests in Shangrao Hezhong ESOP were granted to selected key employees for nil consideration. There was no performance or service conditions for the award and the shares were fully vested upon grant.

During the year ended 31 December 2020, 100% equity interests in Shangrao Qichuang ESOP and Shangrao Hechuang ESOP were granted to selected key employees for nil consideration. There was no performance or service conditions for the award and the shares were fully vested upon grant.

The aforesaid transactions have been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the issued shares on the grant date and recognised the compensation expenses of RMB1,816,114,000 in the year ended 31 December 2020.

The fair value of these shares at the grant date is determined by income approach (discounted cash flow model). The key assumptions used in determining the fair value mainly included:

- Growth rate of 3% ~ 23% per annum;
- EBIT rate of 13% ~ 18%;
- Discount rate (WACC) of 15% per annum;
- Discounts for lack of marketability (DLOM) of 20%.

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Pre-[REDACTED] Share Option Scheme

The Company adopted the Pre-[REDACTED] Share Option Scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company’s shareholders, and any non-controlling shareholder in the Company’s subsidiaries. The Scheme became effective on 4 November 2022 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares issuable under share options to service providers in the Scheme is limited to 3.39% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The exercise period of the share options granted is determinable by the board of directors, and commences on a specified date and ends on a date which is not later than 15 November 2032.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

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The following share options were outstanding under the Share Option Scheme of the Company during the Relevant Periods:

Date of grant	Numbers of share options					At 31 December 2022	At 30 April 2023	Exercise period (both dates inclusive)	Exercise price per share
	At 1 January 2022	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year				
16/11/2022	–	3,865,979	–	–	–	3,865,979	3,865,979	30/11/2023 to 15/11/2032	US\$0.00002
16/11/2022	–	3,865,979	–	–	–	3,865,979	3,865,979	31/5/2024 to 15/11/2032	US\$0.00002
16/11/2022	–	3,865,979	–	–	–	3,865,979	3,865,979	30/11/2024 to 15/11/2032	US\$0.00002
16/11/2022	–	3,865,981	–	–	–	3,865,981	3,865,981	31/5/2025 to 15/11/2032	US\$0.00002
16/11/2022	–	2,000,000	–	–	–	2,000,000	2,000,000	29/2/2024 to 15/11/2032	US\$0.00002
		<u>17,463,918</u>				<u>17,463,918</u>	<u>17,463,918</u>		

The Group recognised share option expenses of RMB42,883,000 and RMB70,599,000 during the year ended 31 December 2022 and four months ended 30 April 2023.

The fair value of equity-settled share options was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

<u>Principal valuation parameter</u>	<u>16 November 2022</u>
Exercise price(US\$ per share)	0.00002
Risk-free interest rate(%)	3.67%
Expected life of options(years)	10
Expected volatility(%)	51.15%
Expected dividend yield(%)	0%

The expected life of the share options is the contractual life to maturity of the share options, and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At 30 April 2023, the Company had 17,463,918 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,463,918 additional ordinary shares of the Company and additional share capital of RMB3,000 (before issue expenses).

31. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods and four months ended 30 April 2022 are presented in the consolidated statement of changes in equity of the Group.

(a) Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group and the reserves resulting from transactions with non-controlling interests. Details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve is non-distributable except that in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, it can be used to offset accumulated losses or be capitalised as paid-up capital.

(c) Share incentive reserve

The Group reserved some shares and options for the purpose of providing incentives and rewards to certain eligible grantees for the growth and development of the Group. The share incentive reserve comprises the reserve arising from equity-settled share awards.

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32. BUSINESS COMBINATION

During the year ended 31 December 2021, the Group acquired the following subsidiaries at a total consideration of RMB 36,000,000 from independent third parties. These transactions have been accounted for as business combinations using acquisition accounting. Upon completion of the acquisitions, they became subsidiaries of the Company. The principal activities of acquired subsidiaries are sales of good and game marketing and operation in the PRC.

<u>Name of subsidiaries acquired</u>	<u>Consideration</u>	<u>Date of completion of acquisition</u>	<u>Equity interest acquired</u>
	<i>RMB’000</i>		
Guangzhou Chichi Network Technology Co.,Ltd. (“廣州吃吃網絡科技有限公司”) (“Guangzhou Chichi”)	26,000	September 2021	100%
Hainan Zhangwan Network Technology Co., Ltd. (“海南掌玩網絡科技有限公司”) (“Hainan Zhangwan”)	10,000	March 2021	51%
Guangzhou Bajiuyou Network Technology Co.,Ltd. (“廣州八九遊網絡科技有限公司”) (“Guangzhou Bajiuyou”)	—	June 2021	51%
	<u>36,000</u>		

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The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	<u>Notes</u>	<u>Fair value recognised on acquisition</u>
		<i>RMB’000</i>
Property and equipment	13	4,511
Right-of-use assets	14	6,619
Other intangible assets	16	47,204
Prepayments, other receivables and other assets		38,238
Deferred tax assets		6,270
Trade receivables		58,199
Financial assets at fair value through profit or loss		12,000
Cash and cash equivalents		68,118
Trade and bills payables		(200,629)
Other payables and accruals		(40,057)
Lease liabilities	14	(6,686)
Tax payable		<u>(4,688)</u>
Total identifiable net assets		(10,901)
Non-controlling interests		4,402
Goodwill	15	<u>42,499</u>
		<u>36,000</u>

The fair value of trade and other receivables acquired at the date of acquisition is approximately equal to gross contractual amounts. The best estimate at acquisition date of the contractual cash flows not expected to be collected is considered as insignificant.

The non-controlling interests recognised at the acquisition date was measured by reference to the proportionate share of the fair value amounts of net assets of acquired subsidiaries.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	<i>RMB’000</i>
Cash consideration	(36,000)
Cash and bank balances acquired	<u>68,118</u>
Net inflow of cash and cash equivalents	
included in cash flows from investing activities	<u>32,118</u>

Since the acquisition, the subsidiaries contributed RMB889,887,000 to the Group’s revenue and loss RMB4,549,000 to the Group’s profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2021 would have been RMB5,926,410,000 and RMB571,510,000, respectively.

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33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

For the years ended 31 December 2020, 2021, 2022 and the four months ended 30 April 2022 and 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB27,683,000, RMB74,231,000, RMB45,579,000, and RMB3,678,000 and RMB10,603,000 respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from the financing activities

	<u>Lease liabilities</u>	<u>Bank loans</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2020	119,542	–	119,542
Additions to lease liabilities	27,683	–	27,683
Remeasurement due to lease modification	(1,541)	–	(1,541)
Accretion of interest expenses	6,213	–	6,213
Interest portion of lease payments	(6,213)	–	(6,213)
Principal portion of lease payments	<u>(6,373)</u>	<u>–</u>	<u>(6,373)</u>
At 31 December 2020	<u>139,311</u>	<u>–</u>	<u>139,311</u>
At 1 January 2021	139,311	–	139,311
Proceeds from loans and borrowings	–	91,249	91,249
Repayment of interest expenses	–	(1,308)	(1,308)
Additions to lease liabilities	74,231	–	74,231
Remeasurement due to lease modification	(1,265)	–	(1,265)
Accretion of interest expenses	8,077	9	8,086
Interest portion of lease payments	(8,077)	–	(8,077)
Principal portion of lease payments	(8,662)	–	(8,662)
Acquisition of subsidiaries (note 32)	<u>6,686</u>	<u>–</u>	<u>6,686</u>
At 31 December 2021	<u>210,301</u>	<u>89,950</u>	<u>300,251</u>

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	<u>Lease liabilities</u>	<u>Bank loans</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2022	210,301	89,950	300,251
Proceeds from loans and borrowings	-	856,070	856,070
Repayment of loans and borrowings	-	(385,568)	(385,568)
Repayment of interest expenses	-	(12,577)	(12,577)
Additions to lease liabilities	45,579	-	45,579
Remeasurement due to lease modification	(27,372)	-	(27,372)
Accretion of interest expenses	10,016	7,969	17,985
Interest portion of lease payments	(10,016)	-	(10,016)
Principal portion of lease payments	<u>(16,507)</u>	<u>-</u>	<u>(16,507)</u>
At 31 December 2022	<u>212,001</u>	<u>555,844</u>	<u>767,845</u>
At 1 January 2023	212,001	555,844	767,845
Proceeds from loans and borrowings	-	52,995	52,995
Repayment of loans and borrowings	-	(166,169)	(166,169)
Repayment of interest expenses	-	(1,782)	(1,782)
Additions to lease liabilities	10,603	-	10,603
Remeasurement due to lease modification	(46,387)	-	(46,387)
Accretion of interest expenses	3,047	1,828	4,875
Interest portion of lease payments	(3,047)	-	(3,047)
Principal portion of lease payments	<u>(4,146)</u>	<u>-</u>	<u>(4,146)</u>
At 30 April 2023	<u>172,071</u>	<u>442,716</u>	<u>614,787</u>

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	<u>Lease liabilities</u>	<u>Bank loans</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2022	210,301	89,950	300,251
Proceeds from loans and borrowings	-	400,522	400,522
Repayment of interest expenses	-	(4,725)	(4,725)
Additions to lease liabilities	3,678	-	3,678
Remeasurement due to lease modification	(1,681)	-	(1,681)
Accretion of interest expenses	3,323	717	4,040
Interest portion of lease payments	(3,323)	-	(3,323)
Principal portion of lease payments	<u>(3,363)</u>	<u>-</u>	<u>(3,363)</u>
At 30 April 2022 (unaudited)	<u>208,935</u>	<u>486,464</u>	<u>695,399</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(unaudited)</i>	
Within operating activities	-	69	30	-	120
Within financing activities	<u>12,586</u>	<u>16,739</u>	<u>26,468</u>	<u>6,798</u>	<u>57,465</u>
	<u>12,586</u>	<u>16,808</u>	<u>26,498</u>	<u>6,798</u>	<u>57,585</u>

34. CONTINGENT LIABILITIES

In March 2021, ChuanQi IP Co., Ltd. filed a civil litigation before Fujian Higher People’s Court, indicted a total of five defendants including the Group, infringed the computer software copyright of the game “legend of Mir II”, and put forward a lawsuit requesting the five defendants to immediately stop infringing the plaintiff’s copyright and using any licencing activities related to the game “legend of Mir II” and close www.xuw.com, and also request the five defendants to jointly and severally compensate RMB 100.5 million. After Fujian Higher People’s Court accepted the case in April 2021, all defendants raised objections to jurisdiction. In February 2023, the Fujian Provincial Higher People’s Court rejected the defendants’ objection to jurisdiction in the case. In March 2023, the Group filed an appeal against the above ruling, which is currently pending. Details are set out in the Document headed “Business — Legal Proceedings and Compliance — Legal Proceedings”. The directors of the Company, based on the advice from the Company’s legal counsel and the progress of the case, believe that the ultimate outcome of this litigation cannot be reliably estimated.

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35. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contracted, but not provided for:				
Capital contributions payable to joint ventures	90,000	–	–	–
Capital contributions payable to associates	7,000	15,000	29,000	19,200
Intangible assets	–	35,000	–	–
	<u>97,000</u>	<u>50,000</u>	<u>29,000</u>	<u>19,200</u>

(b) The Group has various lease contracts that have not yet commenced as at 30 April 2023. The future lease payments for these non-cancellable lease contracts are RMB 40,082,000 due in the fourth to fifth years.

36. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties during the periods presented.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Relevant Periods.

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Guangzhou Ziyun Cloud Computing Co., Ltd. (“Guangzhou Ziyun”)	Joint venture
Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. (“Guangzhou Zeda”)	Joint venture
Kairui (Hangzhou) Information Technology Co., Ltd. (“Kairui”)*	Subsidiary of joint venture before 15 July 2022
Fuzhou Zizai Entertainment Internet Technology Co., Ltd. (“Fuzhou Zizai”)	Associate
Mr. Wu Xubo	Key management personnel
Ms. Wu Xuan	Key management personnel
Mr. Luo Xihu	Key management personnel

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* Kairui was disposed by the joint venture on 15 July 2022, after which it has not been a related party of the Group.

(b) Significant transactions with related parties

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Purchase of server custody service from Guangzhou Ziyun	–	1,110	–	–	–
Marketing and operation service provided to Kairui	–	–	1,642	196	–
	<u>–</u>	<u>1,110</u>	<u>1,642</u>	<u>196</u>	<u>–</u>

(unaudited)

The purchase of server custody service from the related party and marketing services provided to the related party were made according to the prices and terms agreed between the parties.

(c) Other transactions with related parties

As at 30 April 2023, the Group’s investment in Zeda was pledged to the Agricultural Bank of China to guarantee the bank borrowings of Zeda with the maximum guarantee amount of RMB405,000,000.

(d) Outstanding balances with related parties

The Group

Amounts due from related parties

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Guangzhou Zeda*	98,766	95,000	–	–
Mr. Luo Xihu*	1,000	–	–	–
Fuzhou Zizai**	–	–	16,981	16,981
	<u>99,766</u>	<u>95,000</u>	<u>16,981</u>	<u>16,981</u>

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*The amounts due from Guangzhou Zeda and Mr. Luo Xihu are non-trade in nature, unsecured, interest-free and repayable on demand.

**The amounts due from Fuzhou Zizai are prepayment and trade in nature.

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. During the Relevant Periods, the Group estimated that the expected loss rate for the above receivables is not material.

Amounts due to related parties

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Guangzhou Ziyun	–	64	–	–
	<u>–</u>	<u>64</u>	<u>–</u>	<u>–</u>

Amounts due to related parties are trade in nature and repayable within 180 days.

The Company

	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>31 December</u>	<u>31 December</u>	<u>30 April</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amount due from subsidiaries	–	5	–
Amount due to subsidiaries	<u>12,760</u>	<u>1,966</u>	<u>50,556</u>

Amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable within 12 months.

Amount due to subsidiaries are non-interest-bearing and normally settled within 12 months.

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(d) Compensation of key management personnel of the Group:

	<u>Year ended 31 December</u>			<u>Four months ended 30 April</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Salaries, allowances and benefits in kind	1,653	1,535	2,074	557	794
Share-based payments	474,948	–	9,093	–	15,544
Pension scheme contributions	5	41	44	15	14
	<u>476,606</u>	<u>1,576</u>	<u>11,211</u>	<u>572</u>	<u>16,352</u>

Further details of directors’ and the chief executive’s emoluments are included in note 8 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

<u>Financial assets</u>	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss	550,446	1,089,969	1,271,335	1,277,878
At amortised cost:				
Financial assets included in prepayments, other receivables and other assets	374,429	236,023	266,402	344,983
Cash and cash equivalents	393,472	693,608	213,422	399,270
Trade receivables	221,996	271,086	426,817	308,273
Amounts due from related parties	99,766	95,000	–	–
Pledged deposits	1,421,157	3,262,046	6,402,359	6,606,560
Restricted cash	102,876	35,863	10,394	39,190
	<u>3,164,142</u>	<u>5,683,595</u>	<u>8,590,729</u>	<u>8,976,154</u>

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<u>Financial liabilities at amortised cost</u>	As at 31 December			As at 30 April
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest-bearing bank and other borrowings	–	89,950	555,844	442,716
Trade payables	275,562	560,035	523,649	532,211
Bills payables	1,729,989	3,422,140	5,640,211	5,861,676
Financial liabilities included in other payables and accruals	859,007	741,935	579,886	502,498
Lease liabilities	139,311	210,301	212,001	172,071
Amounts due to related parties	–	64	–	–
	<u>3,003,869</u>	<u>5,024,425</u>	<u>7,511,591</u>	<u>7,511,172</u>

The Company

<u>Financial assets at amortised cost</u>	As at	As at	As at
	31 December	31 December	30 April
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	–	180	890
Due from subsidiaries	–	5	–
	<u>–</u>	<u>185</u>	<u>890</u>

<u>Financial liabilities at amortised cost</u>	As at	As at	As at
	31 December	31 December	30 April
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Other payables	–	45,463	2,046
Due to subsidiaries	12,760	1,966	50,556
	<u>12,760</u>	<u>47,429</u>	<u>52,602</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2020, 2021, 2022 and 30 April 2023, the fair values of the Group’s financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, pledged deposits, trade receivables, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade payables, amounts due to related parties,

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financial liabilities included in other payables and accruals, and discounted bills reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of lease liabilities, non-current portion of pledged deposits and non-current portion of time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for lease liabilities as at the end of each of the Relevant Periods were assessed to be insignificant.

The fair values of unlisted fund investments designated at fair value through profit or loss have been estimated using an asset-based valuation technique with reasonable and observable market prices as inputs.

The Group has unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of listed equity investments are based on quoted market prices.

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Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2020

	<u>Fair value measurement using</u>			
	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss	<u>50,611</u>	<u>499,835</u>	<u>–</u>	<u>550,446</u>

As at 31 December 2021

	<u>Fair value measurement using</u>			
	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss	<u>8,441</u>	<u>1,081,528</u>	<u>–</u>	<u>1,089,969</u>

As at 31 December 2022

	<u>Fair value measurement using</u>			
	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss	<u>799,805</u>	<u>471,530</u>	<u>–</u>	<u>1,271,335</u>

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As at 30 April 2023

	<u>Fair value measurement using</u>			<u>Total</u>
	<u>Quoted</u>	<u>Significant</u>	<u>Significant</u>	
	<u>prices in</u>	<u>observable</u>	<u>unobservable</u>	
	<u>active</u>	<u>inputs</u>	<u>inputs</u>	
<u>markets</u>	<u>(Level 2)</u>	<u>(Level 3)</u>		
<u>(Level 1)</u>				
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Financial assets at fair value through profit or loss	<u>597,585</u>	<u>680,293</u>	<u>–</u>	<u>1,277,878</u>

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities.

Assets for which fair values are disclosed:

As at 31 December 2020

	<u>Fair value measurement using</u>			<u>Total</u>
	<u>Quoted</u>	<u>Significant</u>	<u>Significant</u>	
	<u>prices in</u>	<u>observable</u>	<u>unobservable</u>	
	<u>active</u>	<u>inputs</u>	<u>inputs</u>	
<u>markets</u>	<u>(Level 2)</u>	<u>(Level 3)</u>		
<u>(Level 1)</u>				
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Pledged deposits, non-current portion	–	876,395	–	876,395
Non-pledged time deposit with original maturity of over one year	–	<u>150,184</u>	–	<u>150,184</u>
	–	<u>1,026,579</u>	–	<u>1,026,579</u>

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As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Pledged deposits, non-current portion	–	2,022,247	–	2,022,247
Non-pledged time deposit with original maturity of over one year	–	34,720	–	34,720
	–	<u>2,056,967</u>	–	<u>2,056,967</u>

As at 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Pledged deposits, non-current portion	–	3,395,558	–	3,395,558

As at 30 April 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Pledged deposits, non-current portion	–	3,006,106	–	3,006,106
Non-pledged time deposit with original maturity of over one year	–	101,751	–	101,751
	–	<u>3,107,857</u>	–	<u>3,107,857</u>

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments, comprise bills payables, other interest-bearing loans, and cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has many other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month		Lifetime ECLs		Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	–	–	–	230,606	230,606
Financial assets included in prepayments, other receivables and other assets					
– Normal**	374,429	–	–	–	374,429
– Doubtful**	–	–	12,372	–	12,372
Pledged deposits	1,421,157	–	–	–	1,421,157
Restricted cash – Not yet past due	102,876	–	–	–	102,876
Cash and cash equivalents – Not yet past due	393,472	–	–	–	393,472
Amount due from related parties	99,766	–	–	–	99,766
	<u>2,391,700</u>	<u>–</u>	<u>12,372</u>	<u>230,606</u>	<u>2,634,678</u>

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As at 31 December 2021

	12-month		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	–	–	–	273,863	273,863
Financial assets included in prepayments, other receivables and other assets					
– Normal**	236,023	–	–	–	236,023
– Doubtful**	–	–	17,187	–	17,187
Pledged deposits	3,262,046	–	–	–	3,262,046
Restricted cash – Not yet past due	35,863	–	–	–	35,863
Cash and cash equivalents – Not yet past due	693,608	–	–	–	693,608
Amount due from related parties	95,000	–	–	–	95,000
	<u>4,322,540</u>	<u>–</u>	<u>17,187</u>	<u>273,863</u>	<u>4,613,590</u>

As at 31 December 2022

	12-month		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	–	–	–	430,209	430,209
Financial assets included in prepayments, other receivables and other assets					
– Normal**	266,402	–	–	–	266,402
– Doubtful**	–	–	18,791	–	18,791
Pledged deposits	6,402,359	–	–	–	6,402,359
Restricted cash – Not yet past due	10,394	–	–	–	10,394
Cash and cash equivalents – Not yet past due	213,422	–	–	–	213,422
	<u>6,892,577</u>	<u>–</u>	<u>18,791</u>	<u>430,209</u>	<u>7,341,577</u>

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As at 31 April 2023

	12-month		Lifetime ECLs		
	ECLs	Simplified			
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	–	–	–	311,614	311,614
Financial assets included in prepayments, other receivables and other assets					
– Normal**	344,983	–	–	–	344,983
– Doubtful**	–	–	20,731	–	20,731
Pledged deposits	6,611,636	–	–	–	6,611,636
Restricted cash – Not yet past due	39,190	–	–	–	39,190
Cash and cash equivalents – Not yet past due	399,270	–	–	–	399,270
	<u>7,395,079</u>	<u>–</u>	<u>20,731</u>	<u>311,614</u>	<u>7,727,424</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk. As at 31 December 2020, 2021, 2022 and 30 April 2023, 24.1%, 22.4%, 25.0% and 19.5% of the Group’s trade receivables were due from the Group’s largest debtor, respectively, and 74.4%, 66.7%, 60.8% and 61.9% of the Group’s trade receivables were due from the Group’s five largest debtors, respectively.

Liquidity risk

In the management of liquidity risk, the Group aims to maintain sufficient cash and cash equivalents.

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The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities, interest-bearing bank and other borrowings, trade and bills payables and other payables.

The maturity profile of the Group’s financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2020	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Lease liabilities	–	618	8,183	54,893	127,761	191,455
Trade payables	62,803	63,294	149,465	–	–	275,562
Bills payables	–	571,560	1,170,843	–	–	1,742,403
Other payables (excluding salaries and benefits payable, and other tax payables)	–	239,912	619,095	–	–	859,007
	<u>62,803</u>	<u>875,384</u>	<u>1,947,586</u>	<u>54,893</u>	<u>127,761</u>	<u>3,068,427</u>
31 December 2021	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Lease liabilities	–	5,291	35,690	109,182	113,172	263,335
Interest-bearing bank and other borrowings	–	–	91,249	–	–	91,249
Trade payables	8,201	108,429	443,405	–	–	560,035
Bills payables	–	727,811	2,727,888	–	–	3,455,699
Other payables (excluding salaries and benefits payable, and other tax payables)	–	415,031	326,904	–	–	741,935
Amount due to related parties	64	–	–	–	–	64
	<u>8,265</u>	<u>1,256,562</u>	<u>3,625,136</u>	<u>109,182</u>	<u>113,172</u>	<u>5,112,317</u>

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<u>31 December 2022</u>	<u>On demand</u>	<u>Less than 3months</u>	<u>3 to less than 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	-	10,644	25,391	124,564	98,584	259,183
Interest-bearing bank and other borrowings	-	204,594	354,549	-	-	559,143
Trade payables	2,369	27,871	493,409	-	-	523,649
Bills payables	-	1,037,882	4,642,922	-	-	5,680,804
Other payables (excluding salaries and benefits payable, and other tax payables)	-	472,498	107,388	-	-	579,886
	<u>2,369</u>	<u>1,753,489</u>	<u>5,623,659</u>	<u>124,564</u>	<u>98,584</u>	<u>7,602,665</u>
<u>30 April 2023</u>	<u>On demand</u>	<u>Less than 3months</u>	<u>3 to less than 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	-	8,406	17,106	92,604	94,251	212,367
Interest-bearing bank and other borrowings	-	176,857	268,477	-	-	445,334
Trade payables	3,226	74,647	454,338	-	-	532,211
Bills payables	-	2,089,457	3,807,529	-	-	5,896,986
Other payables (excluding salaries and benefits payable, and other tax payables)	-	441,239	61,259	-	-	502,498
	<u>3,226</u>	<u>2,790,606</u>	<u>4,608,709</u>	<u>92,604</u>	<u>94,251</u>	<u>7,589,396</u>

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss as at 31 December 2022 and 30 April 2023 (note 19). The Group’s listed investments are [REDACTED] on the Hong Kong stock exchanges and are valued at quoted market prices at the end of the reporting period.

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Capital management

The Group’s policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liability, on a continuous basis, taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts and manage the asset-liability ratios. The Group’s overall strategy remained unchanged during the reporting period.

The asset-liability ratios as at the end of each reporting period are as follows:

	<u>As at 31 December</u>			<u>As at 30 April</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total assets	<u>3,862,112</u>	<u>6,558,427</u>	<u>9,798,906</u>	<u>10,212,297</u>
Total liabilities	<u>3,199,930</u>	<u>5,384,196</u>	<u>8,089,870</u>	<u>8,199,358</u>
Asset-liability ratio	<u>83%</u>	<u>82%</u>	<u>83%</u>	<u>80%</u>

40. EVENTS AFTER THE RELEVANT PERIODS

Since the end of the Track Record Period, for the purpose of strengthening strategical alliance with a major player in the digital entertainment industry chain and creating cross-industry synergy, the Group has participated in a judicial auction to acquire 1.07% equity interests of Zhejiang Century Huatong Group Co., Ltd., and injected capital investment in Guangzhou Xili Technology Co., Ltd. For further details of the acquisitions, see “Waivers and Exemptions — Equity Interests Acquired After The Track Record Period” in the Document.

On August 15, 2023, the Company declared a special dividend in the amount of RMB50,000,000, the payment of which will be fully settled prior to the [REDACTED] by cash using internal resources. For further details of the special dividend, see “Summary — Future Dividends” in the Document.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2023.

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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

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[REDACTED]

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of the Company and of certain aspects of the Companies Act.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 18, 2021 under the Companies Act. The Company's constitutional documents consist of its Memorandum and Articles.

1 MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were adopted on [●], 2023. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than persons together holding (or, in the case of

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a shareholder being a corporation, by its duly authorized representative) or representing by proxy holding not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares of such amount as it thinks expedient;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;
- (v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled;
- (vi) make provision for the allotment and issue of shares which do not carry any voting rights;
- (vii) change the currency of denomination of its share capital; and
- (viii) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common

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form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed on terms equivalent to section 632 of the Companies Ordinance as at the date of the adoption of the Articles (or its equivalent provision from time to time) at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

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(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

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If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

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SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resign;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

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(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

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(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including

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pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that

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office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:
 - (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

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2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company’s name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the “**Registrar of Companies**”) within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

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(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

- (i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and
- (ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

Members shall have the right to:

- (i) speak at general meetings of the Company; and
- (ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights, on a one vote per share basis, of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company, at any meeting of any class of members of the Company, or at any meeting of the creditors of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held within six months after the end of the Company's financial year, at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

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Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it can be demonstrated to the Stock Exchange that reasonable written notice can be given in less time, and it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company. The requisitionist(s) may add resolutions to the agenda of a general meeting so requisitioned.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same

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powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

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The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' appointment, removal and remuneration must be fixed by the Company in general meeting or by another body independent of the Board.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. A body that is independent of the board may also remove the auditors by a simple majority vote before the expiration of the term of office and shall by a simple majority vote appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

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- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

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2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. The board shall have no authority to present a winding up petition on behalf of the Company without the sanction of a resolution passed by the Company in general meeting.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

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2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on March 18, 2021 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorized share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in Section 37 of the Companies Act;

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- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.

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A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

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3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands’ courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

- (a) all sums of money received and expended by it;
- (b) all sales and purchases of goods by it; and
- (c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the “**TIA Act**”), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the “**Tax Concessions Act**”), the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

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- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from October 13, 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

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3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

- (a) an order of the court;
- (b) voluntarily by its members; or
- (c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

- (a) the company is or is likely to become insolvent; or

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- (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (ie the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision

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may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Scheme of arrangement

Following amendments to the Companies Act that became effective on August 31, 2022, the majority-in-number “headcount test” in relation to the approval of members’ schemes of arrangement has been abolished. Section 86(2A) of the Companies Act provides that, if 75% in value of the members (or class of members) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the Court, be binding on all members (or class of members) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Companies Act continues to require (a) approval by a majority in number representing 75% in value and (b) the sanction of the court, in relation to any compromise or arrangement between a company and its creditors (or any class of them).

3.21 General

Walkers (Hong Kong), the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed “Documents Delivered to the Registrar of Companies and on Display — Documents on Display” in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands on March 18, 2021 as an exempted company with limited liability. Our registered office address is at the offices of Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. Accordingly, our Company’s corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document.

Our registered place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No.248 Queen’s Road East, Wanchai, Hong Kong. We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 30, 2021 under the same address. Mr. ZHANG Mengchi has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40th Floor, Dah Sing Financial Centre, No.248 Queen’s Road East, Wanchai, Hong Kong.

As of the date of this document, our Company’s head office was located at Building B, No. 9 Olympic Stadium South Road, Tianhe District, Guangzhou, PRC.

2. Changes in Share Capital

On March 18, 2021, our Company was incorporated with an authorized share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.0 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this document:

- (a) On March 18, 2021, our Company issued one Share to an independent third party for US\$1.0, which was subsequently transferred to WXB BVI 1 (a BVI company wholly-owned by Mr. WU Xubo) for US\$1.0 on the same day;
- (b) On November 3, 2022, we subdivided our share capital of US\$50,000 in 50,000 ordinary shares of US\$1.0 into 2,500,000,000 ordinary shares of US\$0.00002 each; and
- (c) On November 22, 2022, our Company issued and allotted an aggregate of 515,463,918 Shares with a par value of US\$0.00002 to the equity holders of Jiangxi Tanwan and the ESOP BVIs of the Pre-[REDACTED] Share Option Plan, details of which are set out in “History, Reorganization and Corporate Structure — Corporate Reorganization — Offshore Shareholding Restructuring”.

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Save as disclosed above and in “— Resolutions of the Shareholders of Our Company dated [●]” below, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report in Appendix I to this document.

On June 18, 2021, the registered capital of Guangzhou Bajiyou was increased from RMB1,000,000 to RMB10,000,000.

On March 19, 2021, the registered capital of Hainan Zhangwan was increased from RMB1,000,000 to RMB2,040,816.

Save as disclosed above and in “Appendix I — Accountants’ Report”, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

Save for the subsidiaries mentioned in the Accountants’ Report set out in Appendix I to this document, our Company has no other subsidiaries.

4. Resolutions of the Shareholders of Our Company dated [●]

[Written] resolutions of our Shareholders were passed on [●] 2023, pursuant to which, among other things:

- (a) conditional on (i) the Listing Committee granting [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued as to be stated in this document and such [REDACTED] and permission not subsequently having been revoked prior to the commencement of [REDACTED] the Shares on the Stock Exchange; (ii) the [REDACTED] having been determined; (iii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before such dates as may be specified in the [REDACTED]; and (iv) the [REDACTED] having been duly executed by the [REDACTED] and the Company:
 - (1) the [REDACTED] (including the [REDACTED]) was approved, and the proposed allotment and issue of the [REDACTED] under the [REDACTED] were approved, and the Directors were authorized to determine the [REDACTED] for, and to allot and issue the [REDACTED];
 - (2) a general unconditional mandate (the “**General Mandate**”) was given to our Directors to exercise all the powers of our Company to allot, issue and deal with

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any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with, such number of Shares as will represent up to 20% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the [REDACTED];

- (3) a general unconditional mandate (the “**Buy-back Mandate**”) was given to our Directors to exercise all powers of our Company to buy-back on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED], excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]; and
 - (4) the general unconditional mandate as mentioned in paragraph (3) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (4) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED], excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]);
- (b) our Company conditionally approved and adopted the Memorandum and Articles with effect from the [REDACTED].

Each of the general mandates referred to in paragraphs (a)(2), (a)(3) and (a)(4) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Buying-back of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the purchase of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy-back their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed purchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●] 2023, the Buy-back Mandate was given to our Directors authorizing them to exercise all powers of our Company to buy-back Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [REDACTED] (excluding any Shares which may be issued under the [REDACTED]), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of Funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Islands Companies Law. Any premium payable on the purchase

over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Islands Companies Law.

(iii) Trading Restrictions

The total number of shares which a listed company may buy-back on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a buy-back (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such buy-back) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the purchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a buy-back of securities discloses to the Stock Exchange such information with respect to the buy-back as the Stock Exchange may require.

(iv) Status of Brought-back Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the Directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman law.

(v) Suspension of Buy-back

A listed company may not make any purchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any

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other interim period (whether or not required under the Listing Rules), the listed company may not buy-back its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a purchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to purchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company’s annual report is required to disclose details regarding purchases of securities made during the year, including a monthly analysis of the number of securities brought-back, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his/her securities to the company.

(b) *Reasons for Buying-back*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to buy-back Shares in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such purchases will benefit our Company and Shareholders.

(c) *Funding of Buying-back*

Purchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not buy-back the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may buy-back with profits of the Company or out of a new issuance of shares made for the purpose of the purchase or, if authorized by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to the Companies Law, out of capital.

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However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing position which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) *General*

The exercise in full of the Buy-back Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], but assuming the [REDACTED] is not exercised, could accordingly result in up to approximately [REDACTED] Shares being brought-back by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any purchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the Buy-back Mandate.

Any purchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buy-back Mandate is exercised.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) an exclusive business cooperation agreement dated April 18, 2023, entered into between Guangzhou Zhongxu Future Technology Co., Ltd. (廣州中旭未來科技有限公司) (“**ZX WFOE**”) and Jiangxi Tanwan Information Technology Co., Ltd. (江西貪玩信息技術有限公司) (“**Jiangxi Tanwan**”), pursuant to which ZX WFOE agreed to be engaged as the exclusive provider to Jiangxi Tanwan of business support, technical and consulting services;

(b) an exclusive option agreement dated April 18, 2023, entered into among ZX WFOE, Jiangxi Tanwan and the shareholders of Jiangxi Tanwan, namely WU Xubo (吳旭波), CHEN Wei (陳煒), QU Jiajia (曲嘉佳), WU Xuan (吳璇), ZHANG Tong (張彤), LUO Xihu (羅錫虎), Shangrao Hongbang Enterprise Management Center (Limited Partnership) (上饒縣宏邦企業管理中心(有限合夥)), Shangrao Hezhong Enterprise Management Center (Limited Partnership) (上饒縣和眾企業管理中心(有限合夥)), Shangrao Qichuang Enterprise Management Center (Limited Partnership) (上饒市齊創企業管理中心(有限合夥)), Shangrao Hechuang Enterprise Management Center (Limited Partnership) (上饒市合創企業管理中心(有限合夥)) and Shanghai Tianyou Software Co., Ltd. (上海天遊軟件有限公司) (collectively, the “**Registered Shareholders**”), pursuant to which ZX WFOE (or its designee) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of its equity interests in Jiangxi Tanwan, and an irrevocable and exclusive right to purchase from Jiangxi Tanwan all or any part of its assets at a minimal price required by the relevant government authorities or PRC laws;

(c) an equity pledge agreement dated April 18, 2023, entered into among ZX WFOE, Jiangxi Tanwan and the Registered Shareholders, pursuant to which the Registered Shareholders pledged all of its equity interests (including the dividends arising from such equity interests) in Jiangxi Tanwan to ZX WFOE as collateral security for all of its payments due to ZX WFOE and to secure performance of all obligations of Jiangxi Tanwan and the Registered Shareholders under the Contractual Arrangements;

(d) a power of attorney dated April 18, 2023, entered into by and among the Registered Shareholders, ZX WFOE and Jiangxi Tanwan, whereby the Registered Shareholders appointed ZX WFOE, or any director of our Company or other person designated by it (excluding any person who may give rise to conflicts of interest), as its exclusive agent and attorney to act on its behalf to exercise all of its rights as registered shareholders of Jiangxi Tanwan; and

(e) the [REDACTED].

APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Intellectual Property Rights

(a) Trademarks

Registered trademarks


As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
1.	 中旭未来	Hong Kong	The Company	9, 35, 38, 41, 42	306191019	March 12, 2033
2.	旭量星辰	PRC	ZX WFOE	41	58344512	February 6, 2032
3.	旭量星辰	PRC	ZX WFOE	42	58343636	February 6, 2032
4.	旭量星辰	PRC	ZX WFOE	9	58338948	February 6, 2032
5.	旭量星辰	PRC	ZX WFOE	36	58317006	February 6, 2032
6.	旭量星辰	PRC	ZX WFOE	38	58311828	February 6, 2032
7.	旭量星辰	PRC	ZX WFOE	35	58333533	February 6, 2032
8.	旭量	PRC	ZX WFOE	41	58344494	February 6, 2032
9.	旭量	PRC	ZX WFOE	38	58327000	February 6, 2032
10.	旭量	PRC	ZX WFOE	42	58320367	February 6, 2032
11.	旭量	PRC	ZX WFOE	35	58326556	February 6, 2032
12.	旭量	PRC	ZX WFOE	36	58323920	February 6, 2032
13.	旭量川宇	PRC	ZX WFOE	9	58343973	February 6, 2032
14.	旭量川宇	PRC	ZX WFOE	35	58335217	February 6, 2032

















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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
15.	旭量川宇	PRC	ZX WFOE	42	58331045	February 6, 2032
16.	旭量川宇	PRC	ZX WFOE	41	58329865	February 6, 2032
17.	旭量川宇	PRC	ZX WFOE	36	58315439	February 6, 2032
18.	旭量川宇	PRC	ZX WFOE	38	58330982	February 6, 2032
19.	旭量星河	PRC	ZX WFOE	9	58343953	February 6, 2032
20.	旭量星河	PRC	ZX WFOE	36	58343291	February 6, 2032
21.	旭量星河	PRC	ZX WFOE	35	58343245	February 6, 2032
22.	旭量星河	PRC	ZX WFOE	42	58332708	February 6, 2032
23.	旭量星河	PRC	ZX WFOE	41	58329837	February 6, 2032
24.	旭量星河	PRC	ZX WFOE	38	58332672	February 6, 2032
25.	旭量星海洛书	PRC	ZX WFOE	38	58339392	February 6, 2032
26.	旭量星海洛书	PRC	ZX WFOE	35	58335234	February 6, 2032
27.	旭量星海洛书	PRC	ZX WFOE	36	58329442	February 6, 2032
28.	旭量星海洛书	PRC	ZX WFOE	9	58323539	February 6, 2032
29.	旭量星海洛书	PRC	ZX WFOE	42	58320768	February 6, 2032
30.	旭量星海洛书	PRC	ZX WFOE	41	58329885	February 6, 2032
31.	旭量星海	PRC	ZX WFOE	36	58338995	February 6, 2032
32.	旭量星海	PRC	ZX WFOE	41	58317073	February 6, 2032

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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
33.	旭量星海	PRC	ZX WFOE	35	58313855	February 6, 2032
34.	旭量星海	PRC	ZX WFOE	42	58311898	February 6, 2032
35.	旭量星海	PRC	ZX WFOE	38	58311838	February 6, 2032
36.	旭量星海	PRC	ZX WFOE	9	58317312	February 6, 2032
37.	旭量星海河图	PRC	ZX WFOE	35	58335225	February 6, 2032
38.	旭量星海河图	PRC	ZX WFOE	41	58335056	February 6, 2032
39.	旭量星海河图	PRC	ZX WFOE	38	58323162	February 6, 2032
40.	旭量星海河图	PRC	ZX WFOE	36	58318513	February 6, 2032
41.	旭量星海河图	PRC	ZX WFOE	42	58315786	February 6, 2032
42.	旭量星海河图	PRC	ZX WFOE	9	58330209	February 6, 2032
43.		PRC	ZX Entertainment	28	58263664	February 6, 2032
44.		PRC	ZX Entertainment	30	58255161	February 6, 2032
45.		PRC	ZX Entertainment	25	58255111	February 6, 2032
46.		PRC	ZX Entertainment	41	58248994	February 6, 2032
47.		PRC	ZX Entertainment	18	58249296	February 6, 2032
48.		PRC	ZX Entertainment	21	58252011	February 6, 2032

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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
49.		PRC	ZX Entertainment	35	58245916	February 6, 2032
50.		PRC	ZX Entertainment	16	58244965	February 6, 2032
51.		PRC	ZX Entertainment	24	58244266	February 6, 2032
52.		PRC	ZX Entertainment	20	58237783	February 6, 2032
53.		PRC	ZX Entertainment	9	58235890	February 6, 2032
54.		PRC	ZX Entertainment	14	58263560	February 6, 2032
55.		PRC	ZX Entertainment	28	58248240	February 6, 2032
56.		PRC	ZX Entertainment	25	58248227	February 6, 2032
57.		PRC	ZX Entertainment	24	58248194	February 6, 2032
58.		PRC	ZX Entertainment	18	58247837	February 6, 2032
59.		PRC	ZX Entertainment	16	58247799	February 6, 2032
60.		PRC	ZX Entertainment	14	58247475	February 6, 2032
61.		PRC	ZX Entertainment	9	58244562	February 6, 2032
62.		PRC	ZX Entertainment	41	58240518	February 6, 2032
63.		PRC	ZX Entertainment	35	58237427	February 6, 2032
64.		PRC	ZX Entertainment	21	58236352	February 6, 2032

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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
65.		PRC	ZX Entertainment	20	58236315	February 6, 2032
66.		PRC	ZX Entertainment	30	58235955	February 6, 2032
67.	贪玩	PRC	Jiangxi Tanwan	31	43961175	February 6, 2031
68.	贪玩	PRC	Jiangxi Tanwan	31	30950547	August 13, 2030
69.	贪玩	PRC	Jiangxi Tanwan	29	30941868	August 13, 2030
70.	贪玩	PRC	Jiangxi Tanwan	41	30944311	March 6, 2030
71.	贪玩	PRC	Jiangxi Tanwan	16	30944495	April 13, 2030
72.	贪玩	PRC	Jiangxi Tanwan	16	27327637	October 6, 2029
73.	贪玩	PRC	Jiangxi Tanwan	32	27324776	October 6, 2029
74.	贪玩	PRC	Jiangxi Tanwan	41	27336966	October 6, 2029
75.	贪玩	PRC	Jiangxi Tanwan	32	54513440	November 13, 2031
76.	贪玩	PRC	Jiangxi Tanwan	30	54505987	November 13, 2031
77.	贪玩	PRC	Jiangxi Tanwan	44	50990452	December 27, 2031
78.	贪玩	PRC	Jiangxi Tanwan	42	45959620	December 27, 2030
79.	贪玩	PRC	Jiangxi Tanwan	26	45988251	January 6, 2031
80.	贪玩	PRC	Jiangxi Tanwan	1	45984821	January 6, 2031
81.	贪玩	PRC	Jiangxi Tanwan	41	45973309	April 13, 2031
82.	贪玩	PRC	Jiangxi Tanwan	28	45969318	January 27, 2031
83.	贪玩	PRC	Jiangxi Tanwan	37	45965994	January 6, 2031

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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
84.	贪玩	PRC	Jiangxi Tanwan	9	45962917	January 6, 2031
85.	贪玩	PRC	Jiangxi Tanwan	7	45958979	January 6, 2031
86.	贪玩	PRC	Jiangxi Tanwan	40	45948583	January 6, 2031
87.	贪玩	PRC	Jiangxi Tanwan	39	45960033	January 13, 2031
88.	贪玩	PRC	Jiangxi Tanwan	36	45959201	January 13, 2031
89.	贪玩	PRC	Jiangxi Tanwan	45	45957115	December 27, 2030
90.	贪玩	PRC	Jiangxi Tanwan	17	45947647	December 27, 2030
91.	贪玩	PRC	Jiangxi Tanwan	34	45944546	December 20, 2030
92.	贪玩	PRC	Jiangxi Tanwan	41	42834936	November 27, 2030
93.	贪玩	PRC	Jiangxi Tanwan	41	37131410	October 6, 2030
94.	贪玩	PRC	Jiangxi Tanwan	42	30962576	February 27, 2029
95.	贪玩	PRC	Jiangxi Tanwan	25	30961083	February 27, 2029
96.	贪玩	PRC	Jiangxi Tanwan	2	30958996	February 27, 2029
97.	贪玩	PRC	Jiangxi Tanwan	27	30958861	February 27, 2029
98.	贪玩	PRC	Jiangxi Tanwan	45	30955104	February 27, 2029
99.	贪玩	PRC	Jiangxi Tanwan	3	30954683	February 27, 2029
100.	贪玩	PRC	Jiangxi Tanwan	28	30953414	February 27, 2029
101.	贪玩	PRC	Jiangxi Tanwan	40	30953187	February 27, 2029

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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
102.	贪玩	PRC	Jiangxi Tanwan	17	30952029	February 27, 2029
103.	贪玩	PRC	Jiangxi Tanwan	6	30951953	February 27, 2029
104.	贪玩	PRC	Jiangxi Tanwan	21	30950796	February 27, 2029
105.	贪玩	PRC	Jiangxi Tanwan	34	30950559	February 27, 2029
106.	贪玩	PRC	Jiangxi Tanwan	19	30950490	February 27, 2029
107.	贪玩	PRC	Jiangxi Tanwan	24	30949063	February 27, 2029
108.	贪玩	PRC	Jiangxi Tanwan	4	30948339	February 27, 2029
109.	贪玩	PRC	Jiangxi Tanwan	26	30947610	February 27, 2029
110.	贪玩	PRC	Jiangxi Tanwan	12	30946830	February 27, 2029
111.	贪玩	PRC	Jiangxi Tanwan	10	30946339	February 27, 2029
112.	贪玩	PRC	Jiangxi Tanwan	18	30944553	February 27, 2029
113.	贪玩	PRC	Jiangxi Tanwan	38	30943820	February 27, 2029
114.	贪玩	PRC	Jiangxi Tanwan	20	30943627	February 27, 2029
115.	贪玩	PRC	Jiangxi Tanwan	14	30943575	February 27, 2029
116.	贪玩	PRC	Jiangxi Tanwan	9	30940978	February 27, 2029
117.	贪玩	PRC	Jiangxi Tanwan	15	30940431	February 27, 2029
118.	贪玩	PRC	Jiangxi Tanwan	37	30214807	February 13, 2029
119.	贪玩	PRC	Jiangxi Tanwan	36	30212126	February 13, 2029

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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
120.	贪玩	PRC	Jiangxi Tanwan	42	30200675	February 6, 2029
121.	贪玩	PRC	Jiangxi Tanwan	7	30960643	March 6, 2029
122.	贪玩	PRC	Jiangxi Tanwan	39	30941670	March 6, 2029
123.	贪玩	PRC	Jiangxi Tanwan	10	29675822	March 13, 2029
124.	贪玩	PRC	Jiangxi Tanwan	22	30950807	March 20, 2029
125.	贪玩	PRC	Jiangxi Tanwan	23	30948422	March 20, 2029
126.	贪玩	PRC	Jiangxi Tanwan	36	30943352	March 20, 2029
127.	贪玩	PRC	Jiangxi Tanwan	8	30941488	March 20, 2029
128.	贪玩	PRC	Jiangxi Tanwan	13	30940424	March 20, 2029
129.	贪玩	PRC	Jiangxi Tanwan	1	30939382	March 20, 2029
130.	贪玩	PRC	Jiangxi Tanwan	37	30938631	March 20, 2029
131.	贪玩	PRC	Jiangxi Tanwan	35	30938564	March 20, 2029
132.	贪玩	PRC	Jiangxi Tanwan	11	30937346	March 20, 2029
133.	贪玩	PRC	Jiangxi Tanwan	30	30954940	May 20, 2029
134.	贪玩	PRC	Jiangxi Tanwan	5	30954717	May 20, 2029
135.	贪玩	PRC	Jiangxi Tanwan	44	30948793	May 27, 2029
136.	贪玩	PRC	Jiangxi Tanwan	43	30942084	May 27, 2029
137.	贪玩	PRC	Jiangxi Tanwan	42	27343996	November 13, 2028
138.	贪玩	PRC	Jiangxi Tanwan	33	27339329	November 13, 2028
139.	贪玩	PRC	Jiangxi Tanwan	25	27338322	November 13, 2028

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<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registered Number</u>	<u>Expiry Date</u>
140.	贪玩	PRC	Jiangxi Tanwan	20	27337579	November 13, 2028
141.	贪玩	PRC	Jiangxi Tanwan	40	27337556	November 13, 2028
142.	贪玩	PRC	Jiangxi Tanwan	45	27337281	November 13, 2028
143.	贪玩	PRC	Jiangxi Tanwan	6	27336960	November 13, 2028
144.	贪玩	PRC	Jiangxi Tanwan	18	27336415	November 13, 2028
145.	贪玩	PRC	Jiangxi Tanwan	36	27336051	November 13, 2028
146.	贪玩	PRC	Jiangxi Tanwan	35	27333531	November 13, 2028
147.	贪玩	PRC	Jiangxi Tanwan	22	27328373	November 13, 2028
148.	贪玩	PRC	Jiangxi Tanwan	28	27323578	November 13, 2028
149.	贪玩	PRC	Jiangxi Tanwan	21	27321384	November 13, 2028
150.	贪玩	PRC	Jiangxi Tanwan	38	27320126	November 13, 2028
151.	贪玩	PRC	Jiangxi Tanwan	29	43957720	February 27, 2031
152.	贪玩	PRC	Jiangxi Tanwan	9	27318942	November 13, 2028
153.		PRC	Jiangxi Tanwan	35	17708729	October 6, 2026
154.		PRC	Jiangxi Tanwan	9	17708729	October 6, 2026
155.		PRC	Jiangxi Tanwan	42	17708729	October 6, 2026
156.		PRC	Jiangxi Tanwan	41	17708729	October 6, 2026

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No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date
157.	贪玩游戏 找回年少时贪玩的你!	PRC	Jiangxi Tanwan	38	46710913	March 20, 2031
158.	贪玩游戏 找回年少时贪玩的你!	PRC	Jiangxi Tanwan	16	46721539	March 6, 2031
159.	贪玩游戏 找回年少时贪玩的你!	PRC	Jiangxi Tanwan	36	46715511	February 27, 2031
160.	贪玩游戏 找回年少时贪玩的你!	PRC	Jiangxi Tanwan	28	46710699	March 6, 2031
161.	贪玩游戏 找回年少时贪玩的你!	PRC	Jiangxi Tanwan	42	46705109	February 27, 2031
162.	贪玩 tanwan.com	PRC	Jiangxi Tanwan	44	56581479	June 13, 2032
163.	贪玩 tanwan.com	PRC	Jiangxi Tanwan	31	56594527	June 13, 2032
164.		PRC	Guangzhou Chichi	33	50309470	June 13, 2031
165.		PRC	Guangzhou Chichi	32	50308362	June 13, 2031
166.		PRC	Guangzhou Chichi	31	50294830	June 13, 2031
167.		PRC	Guangzhou Chichi	30	50294796	June 13, 2031
168.		PRC	Guangzhou Chichi	29	50294433	June 13, 2031
169.		PRC	Guangzhou Chichi	35	50281400	June 20, 2031

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Type	Place of registration	Patent Number	Owner	Expiration date
1.	A toy (holding cat) (抱貓)	Appearance design (外觀設計)	PRC	2021306311594	ZX Entertainment	September 22, 2036
2.	A toy (Snake Kung Fu) (蛇拳)	Appearance design (外觀設計)	PRC	2021306551418	ZX Entertainment	September 29, 2036
3.	A toy (cupping) (拔罐)	Appearance design (外觀設計)	PRC	2021306528036	ZX Entertainment	September 29, 2036
4.	A toy (race walking) (競走)	Appearance design (外觀設計)	PRC	2021306554647	ZX Entertainment	September 29, 2036
5.	A toy (facial mask) (面膜)	Appearance design (外觀設計)	PRC	2021306528197	ZX Entertainment	September 29, 2036
6.	A toy (feet soaking) (泡脚)	Appearance design (外觀設計)	PRC	2021306554651	ZX Entertainment	September 29, 2036
7.	A toy (balance bike) (平衡車)	Appearance design (外觀設計)	PRC	2021306528021	ZX Entertainment	September 30, 2036
8.	A toy (massage chamber) (按摩艙)	Appearance design (外觀設計)	PRC	2022301886852	ZX Entertainment	April 5, 2037

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(c) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

<u>No.</u>	<u>Copyright Name</u>	<u>Version</u>	<u>Owner</u>	<u>Registration Number</u>	<u>Registration Date</u>
1.	Hetu Big Data Smart Analysis Platform (河圖大數據智能分析平臺)	V2.0	ZX WFOE	2022SR1482442	November 8, 2022
2.	Luoshu Big Data Smart Launch Platform (洛書大數據智能投放平臺)	V2.0	ZX WFOE	2022SR1486817	November 9, 2022
3.	Bro Kooli Summer Clothing Design (Bro Kooli 夏裝造型)	—	ZX Entertainment	Guo Zuo Deng Zi (國作登字)-2022-F-10276932	December 27, 2022
4.	Bro Kooli Blind Box Design (Bro Kooli 盲盒造型)	—	ZX Entertainment	Guo Zuo Deng Zi (國作登字)-2022-F-10276940	December 27, 2022
5.	Bro Kooli Winter Clothing Design (Bro Kooli 冬裝造型)	—	ZX Entertainment	Guo Zuo Deng Zi (國作登字)-2022-F-10276933	December 27, 2022
6.	Kitty Vee (小貓 Vee)	—	ZX Entertainment	Guo Zuo Deng Zi (國作登字)-2022-F-10276941	December 27, 2022

(d) Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Expiry Date</u>
1.	zx.com	ZX WFOE	May 10, 2029
2.	tanwan.com	Jiangxi Tanwan	May 21, 2028

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors’ service contracts and appointment letters

(a) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company on [●] 2023. The initial term for their appointment shall be three years with effect from the date the appointment or until the third annual general meeting of our Company since the [REDACTED], whichever is sooner (subject always to re-election as and when required under the Article of Association). Either party has the right to give not less than three months’ written notice to terminate the agreement. Details of the Company’s remuneration policy are described in section headed “Directors and Senior Management — Directors’ and Senior Management’s Remuneration.”

(b) *Independent non-executive Directors*

Each of the independent non-executive Directors has entered into an appointment letter with our Company on [●] 2023. The initial term for their appointment letters shall be three years with effect from the date of appointment until the third annual general meeting of our Company since the [REDACTED], whichever is sooner (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months’ prior notice in writing.

2. Remuneration of Directors

- (a) The aggregate amount of remuneration (including salaries, allowances and benefits in kind, equity-settled share payment expenses and pension scheme contributions) for our Directors for the three years ended December 31, 2022 and the four months ended April 30, 2023 was approximately RMB256.0 million, RMB1.2 million, RMB10.7 million and RMB16.1 million, respectively.
- (b) According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors for the financial year ending December 31, 2023 is expected to be approximately RMB31.5 million.
- (c) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

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3. Disclosure of interests

(a) *Interests and short positions of our Directors or Chief Executives in the share capital of our Company and its associated corporations following completion of the [REDACTED]*

Save as disclosed in the section headed “Substantial Shareholders”, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) *Interest in Shares and underlying Shares*

Name of Director or chief executive	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the [REDACTED]⁽¹⁾
Ms. WU Xuan	Settlor of a discretionary trust; beneficiary of a trust; interest in controlled corporation ⁽²⁾	38,487,000 (L)	[REDACTED]%

Notes:

(1) The calculation is based on the total number of [REDACTED] Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

(2) Ms. WU Xuan held her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly-owned by WxZela Trust. WxZela Trust is a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited.

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(ii) *Interest in associated corporations*

<u>Name of director or chief executive</u>	<u>Nature of interest</u>	<u>Associated corporations</u>	<u>Registered share capital (RMB)</u>	<u>Approximate percentage of shareholding in the associated corporation</u>
Mr. WU Xubo	Interest in controlled corporation ⁽¹⁾	Jiangxi Tanwan	4,550,000	45.50%
	Beneficial Owner ⁽¹⁾		635,260	6.35%
Ms. WU Xuan	Interest in controlled corporation ⁽²⁾	Jiangxi Tanwan	1,164,740	11.65%
	Beneficial Owner ⁽²⁾		300,000	3.00%

Notes:

- (1) Mr. WU Xubo held approximately 6.35% equity interests in Jiangxi Tanwan directly. Shangrao Hongbang, the general partner of which is Mr. WU Xubo, held 45.50% equity interests in Jiangxi Tanwan.
- (2) Ms. WU Xuan held 3.00% equity interests in Jiangxi Tanwan directly. Shangrao Qichuang, the general partner of which is Ms. WU Xuan held approximately 11.65% equity interests in Jiangxi Tanwan.

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

Except as disclosed in the paragraph (a) above and in the section headed “Substantial Shareholders” in this document, our Directors were not aware of any persons who will, immediately following the completion of the [REDACTED], having or be deemed or taken to have beneficial interests or short positions in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

4. Disclaimers

- (a) Save as disclosed in the section headed “Statutory and General Information — C. Further Information about our Directors — 1. Particulars of Directors’ service contracts and appointment letters” in this Appendix, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of our Group;
- (b) save as disclosed in the section headed “History, Reorganization and Corporate Structure” in this document, none of the Directors or the experts named in the paragraph headed “— E. Other Information — 4. Consents of Experts” in this section

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has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) save in connection with the [REDACTED], no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this document;
- (d) save in connection with the [REDACTED] and as disclosed in the section headed “Connected Transactions” in this document, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors is interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group;
- (f) save as disclosed in the section headed “Substantial Shareholders” in this document, taking no account of any Shares which may be taken up under the [REDACTED], so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the [REDACTED], have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (g) save as disclosed in the section headed “Statutory and General Information — C. Further Information about our Directors — 3. Disclosure of interests” in this Appendix, none of the Directors or chief executive of our Company has any interests or short positions in our Shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once our Shares are [REDACTED] thereon.

D. PRE-[REDACTED] SHARE OPTION PLAN

Summary of Key Terms

The following is a summary of the principal terms of the Pre-[REDACTED] Share Option Plan of the Company as approved and adopted by the resolution of the Board dated November 4, 2022.

(a) Purpose

The purpose of the Pre-[REDACTED] Share Option Plan is to enable the Company to grant options to eligible participants (“**Eligible Participants**”) as incentives or rewards for their contribution or potential contribution to the Group.

(b) Who May Join

Eligible Participants mean any persons belonging to any of the following classes of persons:

- (i) any full-time employees of the Group or any of the company in which the Company or any subsidiary has any equity interest (“**Invested Entity**”);
- (ii) any non-executive directors of the Group or any of the Invested Entities but excluding any independent non-executive directors;
- (iii) consultants and advisers, provided that such consultants and advisers render bona fide services and that such services are not in connection with the offer and sale of securities in a capital-raising transaction; and
- (iv) general partners.

The options under this Pre-[REDACTED] Share Option Plan can be granted to any company wholly-owned by one or more Eligible Participants, or any discretionary trust where any eligible participant is a discretionary object.

(c) Duration and Control of the Pre-[REDACTED] Share Option Plan

The Pre-[REDACTED] Share Option Plan shall be valid and effective for a period commencing on the adoption date and ending immediately prior to the [REDACTED] (both dates inclusive). Any option granted under this scheme shall become exercisable after the [REDACTED] after which no further options shall be granted under this scheme but the provisions of this scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be

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required in accordance with the provisions of this scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this scheme.

In respect of an option, the period to be notified by the Board to each grantee within which the option may be exercisable (“**Option Period**”) shall not exceed a period of 10 years commencing on the date upon which such option is deemed to be granted and accepted in accordance with paragraph (d) (“**Commencement Date**”).

This scheme shall be subject to the administration of the Board, or Ms. LIANG Wenhong (梁文紅) or other officer or director designated by the Board (the “**Administrator**”), whose decision as to all matters arising in relation to this scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties subject to the prior receipt of a statement in writing from the auditors or the approved independent financial adviser if and as required by paragraph (i) below.

Subject to applicable laws and the provisions of this scheme (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

- (i) to construe and interpret the terms of the scheme and options granted pursuant to the scheme; and
- (ii) to take such other action, not inconsistent with the terms of the scheme, as the Administrator deems appropriate.

(d) Options

The Board shall, subject to and in accordance with the provisions of this scheme and the Listing Rules, be entitled, but shall not be bound, at any time, to offer to grant an option to any Eligible Participant whom the Board may in its absolute discretion select and subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as it may think fit.

If the Board determines to offer an option to an Eligible Participant, the Company shall deliver a written offer notice (including, for the avoidance of doubt, by way of an e-mail) (the “**Offer Notice**”) to the relevant Eligible Participant in such form as the Company may deem appropriate.

An option shall be deemed to have been granted to and accepted by the grantee and to have taken effect when (a) the Offer Notice has been duly delivered to the Eligible Participant; and (b) the option to which the Offer Notice related has been duly accepted by the Eligible Participant in writing (including, for the avoidance of doubt, by way of an e-mail).

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Any offer to grant an option may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of one [REDACTED] for [REDACTED] in Shares on the Stock Exchange or an integral multiple thereof or such other number as agreed by the Board and such number is clearly stated in the written response constituting acceptance of the option in the manner as set out in the previous paragraph. To the extent that the offer to grant an option is not accepted by the acceptance date, it shall be deemed to have been irrevocably declined unless otherwise agreed by the Company.

The options shall not be [REDACTED] or [REDACTED] with on the Stock Exchange.

An option and an offer to grant an option shall be personal to the grantee and shall not be transferable or assignable, save and except for any transfer of option pursuant to paragraph (f) of this scheme or any transfer of option which is otherwise approved by the Board. Save as otherwise provided in this paragraph, no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to this scheme may be registered). If the grantee under this scheme is a company or a discretionary trust, such grantee shall undertake to the Company that he/she will not permit any change of the ultimate beneficial ownership of such option. Any breach of the foregoing shall entitle the Company to cancel any outstanding options or any part thereof granted to such grantee.

For the avoidance of doubt, any holder of options transferred pursuant to the terms of this scheme shall be subject to the same terms and conditions of the offer to grant an option extended to the initial grantee including but not limited to the exercise price of the option.

(e) Exercise Price

The exercise price in relation to each option offered to an Eligible Participant shall, subject to the adjustments referred to in paragraph (i), be a price that is set out in the Offer Notice representing not less than the par value of a Share.

Subject to applicable laws, the grantee shall pay the exercise price through a [REDACTED] sale and remittance procedure, pursuant to which a Company designated brokerage firm will effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares from the exercise of the relevant options.

(f) Exercise of Options

Subject to the paragraphs below, an option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do, and shall be exercised in whole or in part and, other than where

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it is exercised to the full extent outstanding, shall be exercised in one [REDACTED] for [REDACTED] Shares on the Stock Exchange or an integral multiple thereof or such other number as agreed by the Board, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Within ten (10) business days after receipt of the grantee’s instruction through a designated software system exclusively used for the implementation and administration of the Pre-[REDACTED] Share Option Plan, and, where appropriate, receipt of the certificate by the auditors or the approved independent financial adviser as the case may be pursuant to paragraph (i), the trustee of the Shares issued under this plan shall make on-market sales of the relevant number of Shares on the Stock Exchange and distribute the corresponding sale proceeds to the grantee, deducting any applicable trading fee, stamp duty and tax obligations based on applicable withholding rates from any payment of any kind otherwise due to the grantee.

Unless otherwise provided hereof, each of the grantees to whom an option has been granted under this scheme shall be entitled to exercise his/her option in the manner set forth in the Offer Notice (unless otherwise agreed by the Board in writing, in no event can any option granted be exercised without the prior written consent of the managing [REDACTED], during the period commencing on the date of the final document relating to an [REDACTED] of any of the Company’s securities and ending on the date specified by the Company and the managing [REDACTED] (such period not to exceed one hundred eighty (180) days). The exercise of any option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorized share capital of the Company (if applicable).

Subject to as hereinafter provided, an option may be exercised by a grantee at any time during the Option Period provided that:

- (i) in the event of the grantee ceasing to be an Eligible Participant for any reason other than on his/her death, ill-health, injury, disability or the termination of his/her relationship with the Company and/or any of the subsidiaries and/or any of the Invested Entities on one or more of the grounds specified in paragraph (g), the grantee may exercise the option up to his/her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised, excluding the options which have not become exercisable pursuant to this paragraph (f) hereof) (such options, the “**Non-exercisable Options**”) within the period of three months (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his/her employment with the Company or any of the subsidiaries, the last actual working day with the Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not) and upon expiry of the said three-month period (or such longer period as the Board may determine), any outstanding options (including any Non-exercisable options, if applicable) granted to the grantee to the extent not already exercised shall be automatically lapsed, or be transferred, if otherwise decided by the Board, to any other Eligible Participant designated by the Board from time to time prior to the [REDACTED]; and

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- (ii) in the case of the grantee ceasing to be an Eligible Participant by reason of death and none of the events which would be a ground for termination of his/her relationship with the Company and/or any of the subsidiaries and/or any of the Invested Entities under paragraph (g) has occurred, the personal representative(s) of the grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of his/her death or such other period to be determined by the Board from time to time to exercise the options in full (to the extent not already exercised, excluding any Non-exercisable Options) and upon expiry of the said 12-month period (or such longer period as the Board may determine), all outstanding options (including any Non-exercisable Options, if applicable) granted to the grantee to the extent not already exercised shall be automatically lapsed or be transferred, if otherwise decided by the Board, to any other Eligible Participant designated by the Board from time to time prior to the [REDACTED];

Notwithstanding the above or paragraph (g)(iii) hereof, the Board shall, upon occurrence of any events mentioned in paragraph above or paragraph (g)(iii) hereof, have the sole discretion to determine (a) whether or not to retain (in full or in part) the Non-exercisable Options of any grantee (such retained options, the "**Retained Options**"); and/or (b) the manner in accordance with which the outstanding options (including the Retained Options, if applicable) held by such grantee shall be exercised, provided that paragraph (e) and the Scheme Limit (as defined below) will continue to be complied with.

No dividends shall be payable in relation to the Shares that are the subject of options that have not been exercised. The Shares to be allotted upon the exercise of an option shall not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to as aforesaid, the Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights including those arising on a liquidation of the Company and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(g) Lapse of Option

Except as otherwise agreed to between the Company and a grantee, or as otherwise approved by the Board, an option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry date relevant to that option;

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- (ii) the date of commencement of the winding-up of the Company (as determined in accordance with the Cayman Companies Act);
- (iii) the date on which the grantee ceases to be an Eligible Participant for any reason including his/her resignation, ill-health, injury, disability or by reason of the termination of his/her relationship with the Company and/or any of the subsidiaries and/or any of the Invested Entities on any one or more of the following grounds:
 - (a) that he/she has materially breached his/her obligations under his/her employment contract with and the employee policies of the Company and/or any of the subsidiaries and/or any of the Invested Entities;
 - (b) that he/she has been convicted of any criminal offense involving his/her integrity or honesty or in relation to an employee of the Company and/or any of the subsidiaries and/or any of the Invested Entities;
 - (c) that he/she has caused material damage to the interests of the Company and/or any of the subsidiaries and/or any of the Invested Entities (including serious misconduct and breach of non-competition and confidentiality obligations); or
 - (d) on any other ground as determined by the Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary or the relevant Invested Entity. A resolution of the Board or the board of directors of the relevant subsidiary or the relevant Invested Entity to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; and
- (iv) the date on which the Board shall exercise the Company's right to cancel the option at any time after the Grantee commits a breach of the provisions of paragraph (d) or the options are canceled in accordance with paragraph (l).

(h) Maximum Number of Shares

The maximum number of Shares in respect of which options may be granted is 17,463,918 Shares ("**Scheme Limit**"). Option lapsed and/or canceled in accordance with the terms of this scheme shall not be counted for the purpose of calculating the Scheme Limit, and the number of Shares in respect of which options may be granted under this scheme shall be increased by the same number of options lapsed and/or canceled.

Subject to the above, the number of option and Shares subject to this scheme can be adjusted according to paragraph (i) in case that the auditors or the approved independent financial adviser, which shall act as experts and not arbitrators, shall certify in writing to the Board that any such alterations, in their opinion, are fair and reasonable.

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(i) Capital Restructuring

In the event of any capitalization issue, rights issue, open offer (if there is a price dilutive element), sub-division, consolidation of shares, or reduction of capital of the Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the number of Shares subject to any outstanding options so far as unexercised;
- (ii) the exercise price; and/or
- (iii) the Scheme Limit.

As the auditors or the approved independent financial adviser shall at the request of the Company or any grantee, certify in writing either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the Guidance Letters) as that to which he/she was entitled to subscribe had he/she exercised all the options held by him/her immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees. Any adjustment to be made in accordance with this paragraph shall comply with the Listing Rules, the Guidance Letters and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

In respect of any adjustments required by paragraph above, other than any made on a capitalization issue, the auditors or the approved independent financial adviser, as the case may be, shall confirm to the Board in writing that the adjustments satisfy the requirements set out in the Listing Rules and the notes thereto and the Guidance Letters and/or such other requirement prescribed under the Listing Rules from time to time (as applicable).

(j) Alteration of the Pre-[REDACTED] Share Option Plan

The terms and conditions of this scheme and the regulations for the administration and operation of this scheme (provided that the same are not inconsistent with this scheme and the Listing Rules) may be altered in any respect by resolution of the Shareholders of the Company except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the key terms of this scheme; or

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- (ii) any material alteration to the terms and conditions of this scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of this scheme),

must be made with the prior approval of the shareholders of the Company in general meeting at which any persons to whom or for whose benefit the Shares may be issued under this Scheme and their respective associates shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

- (i) the consent in writing of grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or
- (ii) the sanction of a special resolution passed at a meeting of the grantees (being only those grantees holding options, all or any part of which is unexercised as at the time of the meeting at which the resolution is proposed).

Written notice of any alterations made in accordance with this paragraph shall be given to all grantees.

In respect of any meeting of grantees referred to in paragraph above, all the provisions of Articles as to general meetings of the Company shall mutatis mutandis apply as though the options were a class of shares forming part of the capital of the Company except that:

- (i) not less than seven days' notice of such meeting shall be given;
- (ii) a quorum at any such meeting shall be two grantees present in person or by proxy and holding options entitling them to the issue of one-tenth in nominal value of all Shares which would fall to be issued upon the exercise of all options then outstanding unless there is only one grantee holding all options then outstanding, in which case the quorum shall be one grantee;
- (iii) every grantee presents in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share to which he/she would be entitled upon exercise in full of his/her options then outstanding;
- (iv) any grantee present in person or by proxy may demand a poll; and
- (v) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven or more than fourteen days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those grantees who are then present in person or by proxy shall form a quorum and at least seven days' notice of any adjourned

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meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantees who are then present in person or by proxy shall form a quorum.

(k) Termination of the Pre-[REDACTED] Share Option Plan

The Shareholders of the Company or the Board may at any time resolve to terminate the operation of this scheme and in such event no further options shall be offered but the provisions of this scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of this scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with this scheme.

Details of the options granted, including options exercised or outstanding, under this scheme shall be disclosed in the circular to shareholders of the Company seeking approval of the new scheme established after the termination of this scheme.

(l) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph (d) above.

Outstanding Options

As of the date of this document, the aggregate number of underlying Shares pursuant to the outstanding share options granted under the Pre-[REDACTED] Share Option Plan is 17,463,918. Immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the aggregate number of Shares underlying all share options granted represents approximately [REDACTED]% of the issued Shares immediately following the completion of the [REDACTED]. No options under the Pre-[REDACTED] Share Option Plan shall be granted after the [REDACTED].

Assuming full exercise of options under the Pre-[REDACTED] Share Option Plan, in relation to the shareholding of the Shareholders immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), since our Company has issued an aggregate of 17,463,918 Shares to the ESOP BVIs to hold on trust for the Pre-[REDACTED] Share Option Plan on November 22, 2022, there will be no dilution to the shareholding of the Company, and no consequent impact on the earnings per Share for the three years ended December 31, 2022 and the four months ended April 30, 2023.

As of the date of this document, the outstanding share options which have been granted under the Pre-[REDACTED] Share Option Plan for an aggregate of 17,463,918 Shares have been granted to a total of 153 Eligible Participants, none of which is Director or member of the senior management of the Company except for Mr. WU Xubo. The outstanding share options granted under the Pre-[REDACTED] Share Option Plan were granted at nil consideration to each of the relevant Eligible Participant with an exercise price of US\$0.00002 per Share. The exercise period of the share options granted is ten years commencing from the date upon which the share options are deemed to be granted and accepted pursuant to the terms of the Pre-[REDACTED] Share Option Plan.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

The table below shows the details of share options granted to Directors, senior management or connected persons of our Company under the Pre-[REDACTED] Share Option Plan that are outstanding as of the date of this document.

Name	Address	Position/ Connected relationship	Exercise period	Exercise price	Total Number of Shares underlying the outstanding options	Date of grant	Vesting period	Approximate percentage of equity interests in our Company underlying the outstanding options upon the [REDACTED] ⁽¹⁾
Mr. WU Xubo	Room 2702, Building 7, No. 8 Guishang Road, Huangpu District, Guangzhou, Guangdong, PRC	Chairman, chief executive officer and executive Director	November 16, 2022 to November 15, 2032; March 16, 2023 to March 15, 2033; March 31, 2023 to March 30, 2033; June 30, 2023 to June 29, 2033; July 31, 2023 to July 30, 2033 ⁽⁴⁾	US\$0.00002 per Share	4,100,518	November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023 and July 31, 2023 ⁽⁴⁾	Please refer to Note (3)	[REDACTED]
Mr. HU Yan (胡龔)	No.3-2-201, Zi Yun Li, Tao Hua Yuan Ji, Poyang County, Jiangxi, PRC	Manager of brand “Zha Zha Hui”; cousin of Mr. WU Xubo	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	904,639	November 16, 2022	Please refer to Note (3)	[REDACTED]
Mr. DONG Wencong (董文淙)	Room 1-104, 29/F, Binjiang Zhuxili, No.601 Jiyang Middle Road, Xinzhou District, Shangrao, Jiangxi, PRC	Manager of business in Jiangxi; supervisor of Jiangxi Tanwan; cousin of Mr. WU Xubo	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	515,464	November 16, 2022	Please refer to Note (3)	[REDACTED]
Mr. LI Yiming (李一鳴)	Room 701, No.2 Fengxin Yuan Fourth Street, Phoenix City, Country Garden, Yongning Street, Zengcheng City, Guangzhou, Guangdong, PRC	Operations director; director and general manager of Guangzhou Tanwan	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	180,412	November 16, 2022	Please refer to Note (3)	[REDACTED]
Subtotal					5,701,033			[REDACTED]

APPENDIX IV STATUTORY AND GENERAL INFORMATION

The table below shows the details of the share options granted to non-connected employees of our Group to subscribe for more than 500,000 Shares of the Company.

Name	Address	Position/ Relationship with our Group	Exercise period	Exercise price	Total Number of Shares underlying the outstanding options	Date of Grant	Vesting period	Approximate percentage of equity interests in our Company underlying the outstanding options upon the [REDACTED]
Ms. ZHANG Fengxun (張馮洵)	No.7, Unit 8, Building 14, South District, Yingchun Lane, Shuangren House, Lianhu District, Xi'an, Shaanxi, PRC	Vice president	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	1,500,000	November 16, 2022	Please refer to Note (2)	[REDACTED]
Mr. MOU Xiuping (牟秀平)	Room 502, Ladder 2, Block 35, No.25 Guanghua North Road (Donghua Garden), Dalong Street, Panyu District, Guangzhou, Guangdong, PRC	Vice president of the data department	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	773,196	November 16, 2022	Please refer to Note (3)	[REDACTED]
Mr. PAN Yixiang (潘亦翔)	Room 514, Building No.15, No.23 Shengkai Fourth Street, Huangpu District, Guangzhou, Guangdong, PRC	Manager of web games marketing department	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	515,464	November 16, 2022	Please refer to Note (3)	[REDACTED]
Mr. ZENG Zengrong (曾增榮)	No.3 Tuoxiang Fifth Lane, Queshi Street, Haojiang District, Shantou, Guangdong, PRC	Manager of mobile game advertisement designing department	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	500,000	November 16, 2022	Please refer to Note (2)	[REDACTED]
Subtotal					3,288,660			[REDACTED]

APPENDIX IV STATUTORY AND GENERAL INFORMATION

The table below sets out the details of share options granted to other grantees that are not set out above and are outstanding as of the date of this document.

<u>Range of outstanding Shares under options granted</u>	<u>Total number of grantees</u>	<u>Total number of Shares underlying the outstanding options</u>	<u>Exercise period</u>	<u>Exercise price</u>	<u>Date of Grant</u>	<u>Vesting period</u>	<u>Approximately percentage of equity interests in the Company underlying the outstanding options upon the [REDACTED]⁽¹⁾</u>
1 – 49,999	61	1,329,896	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	November 16, 2022	Please refer to Note (3)	[REDACTED]
50,000 – 99,999	67	4,427,832	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	November 16, 2022	Please refer to Note (3)	[REDACTED]
100,000 – 199,999	12	1,479,382	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	November 16, 2022	Please refer to Note (3)	[REDACTED]
200,000 – 499,999	5	1,237,115	November 16, 2022 to November 15, 2032	US\$0.00002 per Share	November 16, 2022	Please refer to Note (3)	[REDACTED]
Subtotal	145	8,474,225					[REDACTED]

Notes:

- (1) Based on the assumption that the [REDACTED] is not exercised.
- (2) All options granted to such grantee will vest on the day after the first half-year anniversary of the [REDACTED].
- (3) Twenty-five percent (25%) of the options granted to such grantee will vest on the day after the first three months of the [REDACTED], and twenty-five percent (25%) of the options granted to such grantee will vest half-yearly thereafter.
- (4) Mr. WU Xubo was granted options under the Pre-[REDACTED] Share Option Plan to subscribe for 3,819,592 Shares, 61,855 Shares, 10,309 Shares, 167,525 Shares and 41,237 Shares on November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023 and July 31, 2023, respectively.

Application has been made to the Listing Committee for the [REDACTED] of and permission to [REDACTED] the Shares issued pursuant to the Pre-[REDACTED] Share Option Plan.

Our Company has applied for and has been granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix IA to the Listing Rules; and (ii) a certificate of an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See “Waivers and Exemptions” for details.

Establishment of trustee for the Pre-[REDACTED] Share Option Plan

Our Company has engaged CMB Wing Lung (Trustee) Limited as a professional trustee to hold and manage our Shares issued under the Pre-[REDACTED] Share Option Plan. On November 22,

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2022, our Company has issued an aggregate of 17,463,918 Shares to the ESOP BVIs to hold on trust for the Pre-[REDACTED] Share Option Plan. The trustee will not exercise the voting rights attached to such Shares.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in the section headed “Business — Legal Proceedings and Compliance — Legal Proceedings” in this document and so far as our Directors are aware, as of the Latest Practicable Date, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the [REDACTED] of, and permission to [REDACTED], the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]).

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors’ fee in relation to the [REDACTED] is US\$1.0 million.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

<u>Name</u>	<u>Qualification</u>
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (Advising on Futures Contracts) and Type 6 (advising on Corporate Finance) regulated activities under the SFO
China Securities (International) Corporate Finance Company Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under SFO)
Beijing Dacheng Law Offices, LLP	PRC legal adviser to our Company
Goldsun Law Firm	PRC litigation legal adviser to our Company
Walkers (Hong Kong)	Legal adviser as to Cayman Islands laws to our Company
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to [REDACTED] for or to nominate persons to [REDACTED] for securities in any member of our Group.

5. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

The preliminary expenses incurred by the Company amounts to approximately US\$5,323.95.

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STATUTORY AND GENERAL INFORMATION

8. Disclaimers

- (a) Within the two years immediately preceding the date of this document save as disclosed in the section headed “History, Reorganization and Corporate Structure” in this document, no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
- (b)
 - (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (ii) save as disclosed in the section headed “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in this Appendix, no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) save in connection with the [REDACTED], no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for [REDACTED] or agreeing to [REDACTED], or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
- (c) Save as disclosed in the section headed “History, Reorganization and Corporate Structure” in this document, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document within the two years immediately preceding the date of this document.
- (e) No equity or debt securities of any company within our Group is presently [REDACTED] on any stock exchange or [REDACTED] on any trading system nor is any [REDACTED] or permission to [REDACTED] being or proposed to be sought.
- (f) Our Company has no outstanding convertible debt securities or debentures.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.
- (i) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the **[REDACTED]**;
- (b) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 4. Consents of Experts” in Appendix IV to this document; and
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.zx.com during a period of 14 days from the date of this document:

- (a) the Memorandum and Articles of the Company;
- (b) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this document;
- (c) the service contracts and letters of appointments with our Directors referred to in the section headed “Statutory and General Information — C. Further Information about our Directors — 1. Particulars of Directors’ service contracts and appointment letters” in Appendix IV to this document;
- (d) the report issued by Frost & Sullivan, a summary of which is set forth in the section headed “Industry Overview” in this document;
- (e) the PRC legal opinions issued by Beijing Dacheng Law Offices, LLP, our legal adviser as to PRC law, in respect of certain aspects of our Group;
- (f) the PRC legal opinions issued by Goldsun Law Firm, our legal adviser as to PRC law in respect of litigations;
- (g) the Accountants’ Report prepared by Ernst & Young, the texts of which are set out in Appendix I to this document;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND ON DISPLAY**

- (h) the report from Ernst & Young on unaudited pro forma financial information of our Group, the texts of which are set out in Appendix II to this document;
- (i) the audited consolidated financial statements of our Company for the Track Record Period;
- (j) the letter of advice prepared by Walkers (Hong Kong), our legal adviser on Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this document;
- (k) the Cayman Companies Act;
- (l) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 4. Consents of experts” in Appendix IV to this document; and
- (m) the terms of the Pre-[REDACTED] Share Option Plan.

DOCUMENT AVAILABLE FOR INSPECTION

A physical copy of a list of grantees under the Pre-[REDACTED] Share Option Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the Company’s principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.